



# FY 2020 Results

## Fixed Income Investors

19<sup>th</sup> February 2021





**Katie Murray**  
Chief Financial Officer

## Resilient FY'20 performance

Supported customers and accelerated digital transformation

Disciplined execution of strategy on lending growth, reducing costs and RWA reduction

Strategic review of Ulster Bank in ROI complete

Strengthened ExCo team in place

FY'20 proposed final dividend of 3 pence per share

1. FY'19 excludes £2,159m of notable items: FX recycling gain of £1,459m, Alawwal merger gain on disposal of £444m and £256m provisions release relating to the Alawwal disposal.
2. Retail & commercial businesses, NatWest Group excluding NWM and Central. Government scheme lending accounted for £12.9bn of lending growth in FY'20
3. £3.0bn UK mortgage portfolio acquired from Metro Bank Plc in December 2020.
4. Other expenses excluding Operating Lease Depreciation

**£2.9bn**

Operating profit before impairments in FY'20, up 4% on FY'19<sup>1</sup>

**(£753m)**

Attributable loss in FY'20

**£3.2bn**

FY'20 Impairments  
88bps of customer loans  
Up from £0.7bn and 21bps in FY'19

**18.5%**

FY'20 CET1 Capital Ratio  
Up 230bps on FY'19  
Includes c.100bps of IFRS 9 transitional relief

**c.7%**

Net Lending growth in FY'20<sup>2</sup>  
c.6% excl. Metro acquisition<sup>3</sup>

>3% FY'20 Target

**£277m**

Cost reduction<sup>4</sup>  
-4% vs FY'19

£250m FY'20 Target

**£27bn**

NWM RWA  
£11bn reduction vs FY'19

£32bn FY'20 Target

Strategic review of Ulster Bank (UBIDAC) complete - NWG intends to begin a phased withdrawal from the Republic of Ireland over the coming years

Strategic priorities will drive sustainable returns

NatWest Group is a relationship bank for a digital world.

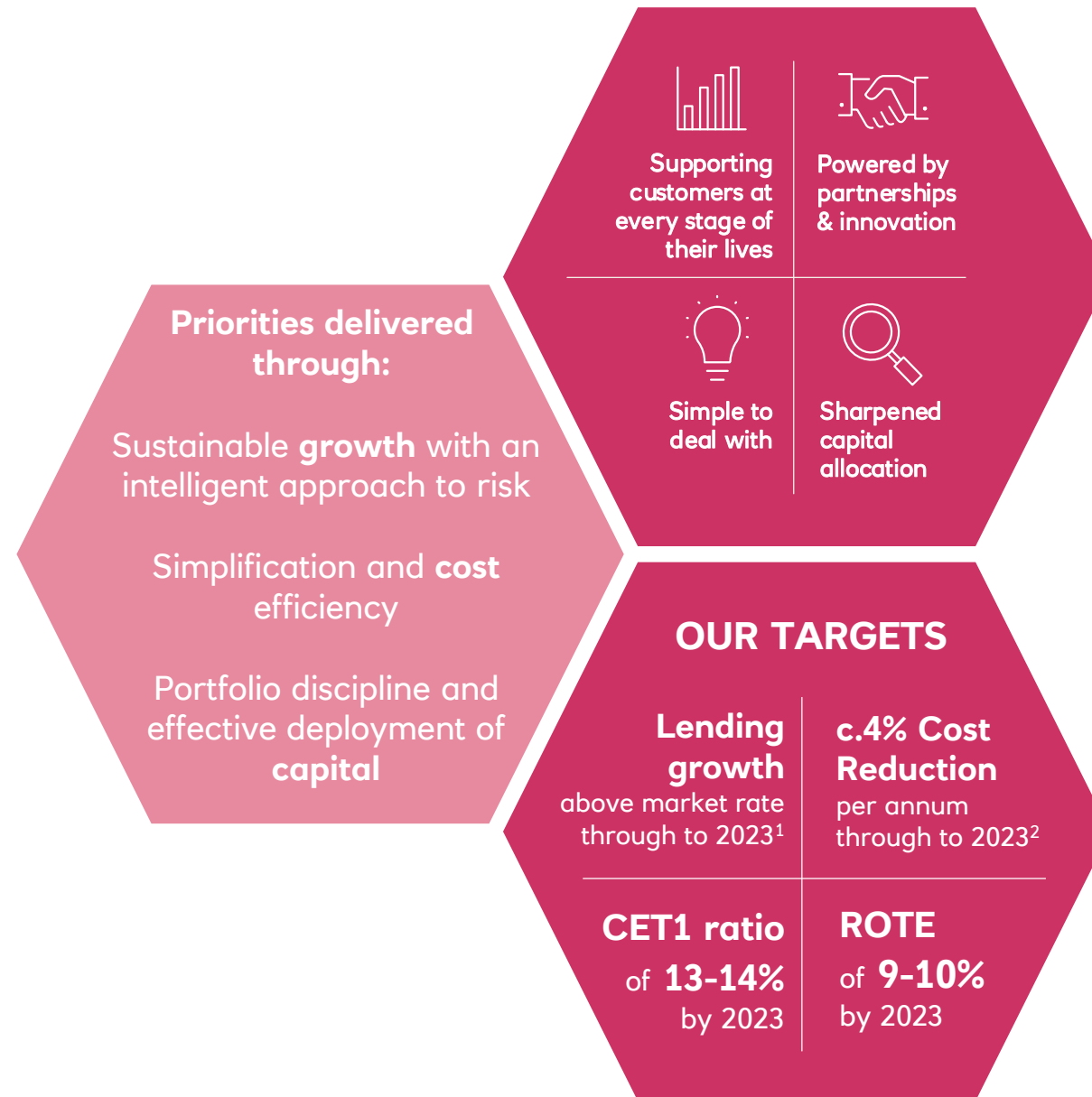
We champion potential; breaking down barriers and building financial confidence so the 19 million people, families and businesses we serve can rebuild and thrive.

Our Purpose led strategy will drive long term sustainable returns for shareholders.



Our four strategic priorities drive sustainable returns for shareholders

Target: 9-10% ROTE by 2023



1. Comprises customer loans in our UK and RBS International retail and commercial businesses
2. Total expenses excluding litigation and conduct costs, strategic costs, operating lease depreciation and the impact of the phased withdrawal from the Republic of Ireland



## Supporting our customers' financial health through COVID-19

94% of mortgage payment holidays have matured in Retail Banking

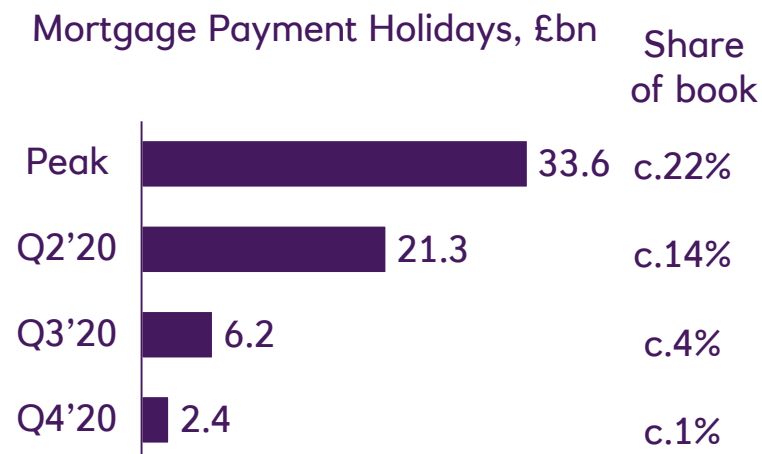
Over 97% of mortgage payment holidays due have returned to paying as normal in Retail Banking

Revolving Credit Facility utilisation now below pre-Covid levels

## Supporting our customers

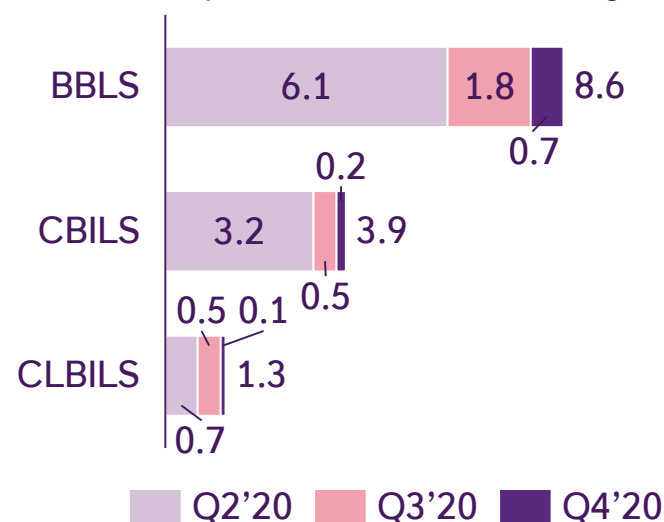
- 95% of branches kept open during the pandemic
- Extended support to vulnerable customers with £5m of cash delivered and launch of a Companion Card
- £31.5bn in gross new mortgage lending in FY'20 in Retail Banking

## Retail Banking Payment Holidays

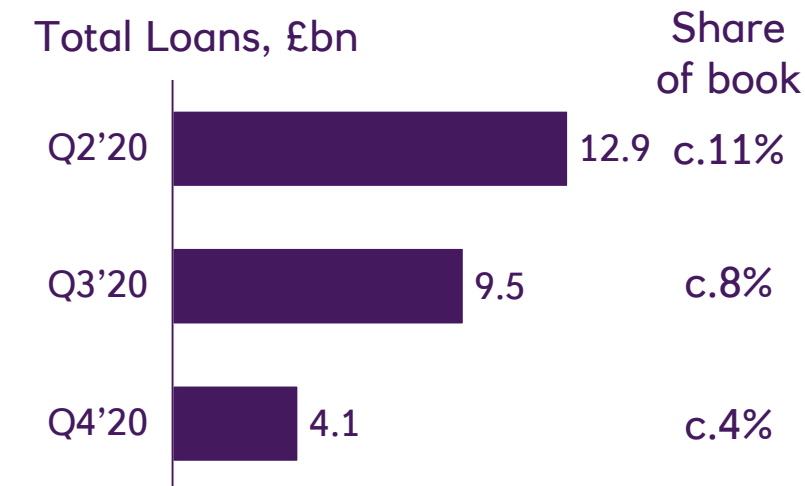


## Commercial Banking Activity

Approved value of c.£14bn under government schemes, NatWest Group's share of the total lending c.20%<sup>1</sup>



## Commercial Payment Holidays



1. Of approved schemes, according to Data per HM Treasury available at 24<sup>th</sup> January 2021

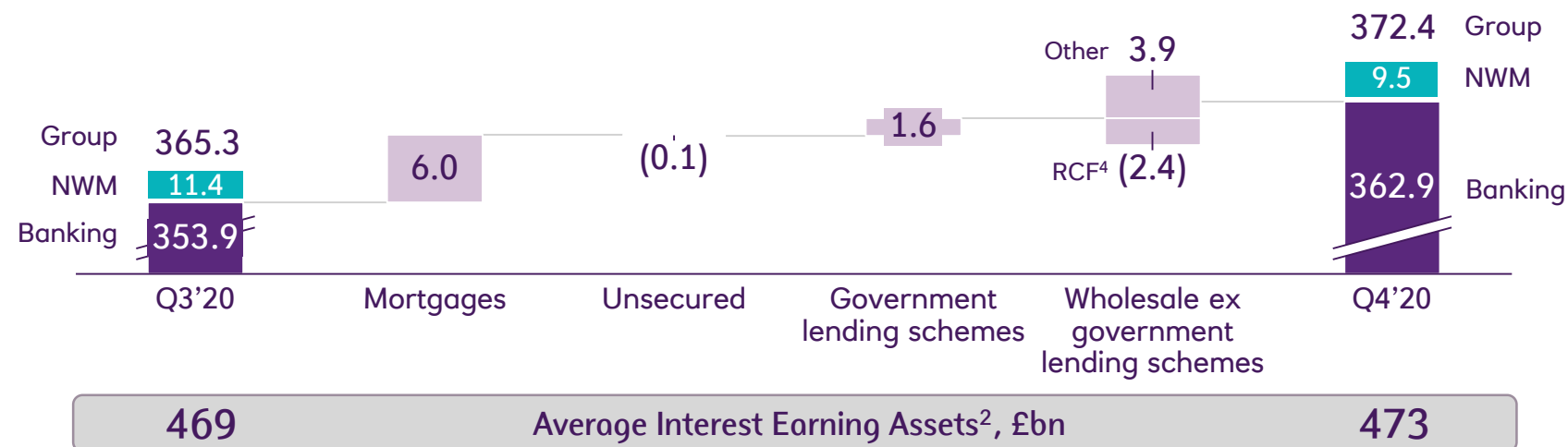
## Continued loan growth in Q4'20 – targeting growth above market

Gross banking loans grew £9.0bn in Q4'20 and £35.7bn over FY'20 driven by mortgages and Government scheme lending partly offset by RCF repayments.

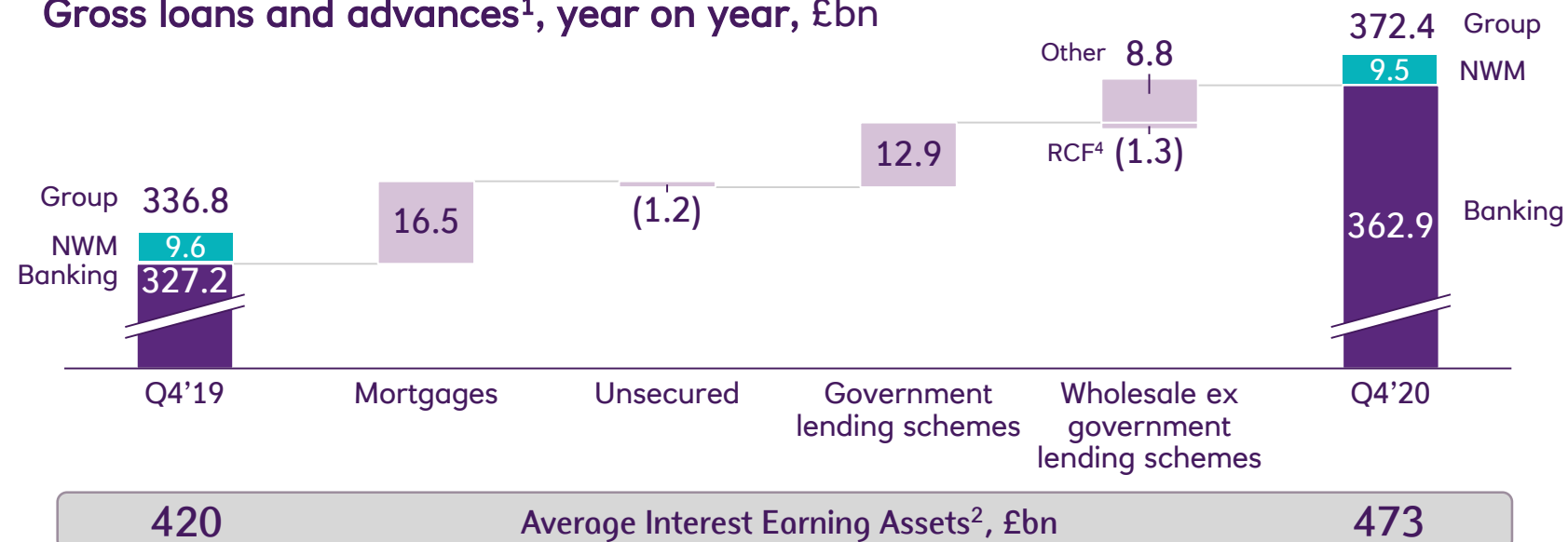
Unsecured loans were broadly stable in the quarter reflecting ongoing household deleveraging.

Group customer deposits increased by a further £13bn in Q4'20 taking FY'20 growth to £63bn.

### Gross loans and advances<sup>1</sup>, quarter on quarter, £bn



### Gross loans and advances<sup>1</sup>, year on year, £bn



1. Loans – amortised cost and FVOCI.
2. Bank average interest earning assets NatWest Group plc excluding NWM.
3. Revolving credit facilities for our Commercial Banking customers.

## ECL change in Q4'20 reflects improvement in economic assumptions and write-offs

ECL provision of £6.2bn reflects improvement in economic assumptions and £878m of post model adjustments for economic uncertainty.

### ECL sensitivity:

- 100% Extreme Downside +£2.2bn
- 100% Upside (£0.8bn)

1. Full details of the assumptions on GDP and unemployment can be found on page 173 of the FY'20 ARA.

## Economic scenarios and weightings, FY'20

Scenario	Probability Weighting	UK GDP – Annual Growth (%)			UK Unemployment rate – annual average (%)		
		2021	2022	5y Avg.	2021	2022	5y Avg.
Upside	20%	9.0	2.6	3.6	5.6	4.5	4.4
Base case	40%	4.5	4.2	3.1	6.3	6.3	5.7
Downside	30%	2.6	4.6	2.8	8.5	7.7	7.1
Extreme Downside	10%	(4.6)	6.1	1.3	12.3	12.0	9.7

## ECL provision and sensitivity to economic scenarios

- ECL £6.2bn at FY'20, down £0.2bn on Q3'20 due to write-offs of legacy mortgages in Ulster Bank
- ECL has increased £2.4bn since FY'19 and includes £878m post model adjustments for economic uncertainty
- 100% weighting to our Extreme Downside scenario would have increased our ECL by £2.2bn
- 100% weighting to our Upside scenario would have reduced our ECL by £0.8bn



## Impairment charge of 14bps in Q4'20

Q4'20 impairment charge of £130m is 14bps of gross customer loans.

FY'20 impairments of £3,242m equivalent to 88bps of gross customer loans.

We expect FY'21 impairments to be at or below our through the cycle range of 30-40bps of gross customer loans.

## Impairment charge / (release) by segment, (£m)

	Retail Banking	Ulster	Commercial Banking	Private Banking	RBSI	NatWest Group
FY'20	792	250	1,927	100	107	3,242
FY'19	393	(34)	391	(6)	2	696
Q4'20	65	(1)	10	26	27	130
Q3'20	70	8	127	18	34	254

## Impairment charge / (release) as share of loans by segment, (bps)

	Retail Banking	Ulster	Commercial Banking	Private Banking	RBSI	NatWest Group
FY'20	45	133	173	58	80	88
FY'19	25	(18)	38	(4)	1	21
Q4'20	15	(2)	4	61	81	14
Q3'20	17	17	45	43	105	28

## Diversified risk profile

£6.4bn or 1.7% of group loans are in Stage 3, down from 1.9% at Q3'20.

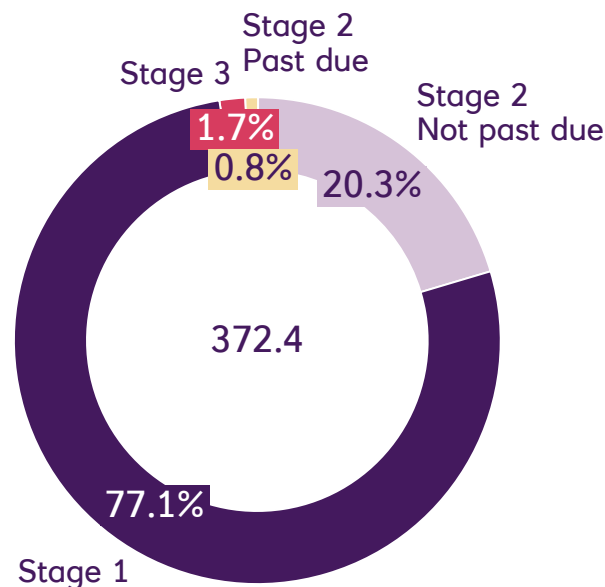
ECL coverage ratio has reduced from 1.74% to 1.66%, reflecting write-offs.

Management is focused on key sectors affected by COVID-19, loans to which total £27.4bn at FY'20.

Just £0.8bn are in Stage 3 with an appropriate ECL coverage ratio of 52%.

1. Loans – amortised cost and FVOCI.
2. May not cast due to rounding.
3. Includes: Airlines and aerospace, Land transport and logistics, Leisure, Oil and Gas and Retail sectors. Subset of Corporate Loans, see pg191 of the NatWest Group plc's FY'20 IMS.
4. Q3'20 data has been restated for the accounting policy change for balances held with central banks. Refer to Accounting policy changes within FY'20 CA.

Gross Loans & Advances by stage<sup>1,2</sup> £bn, Q4'20

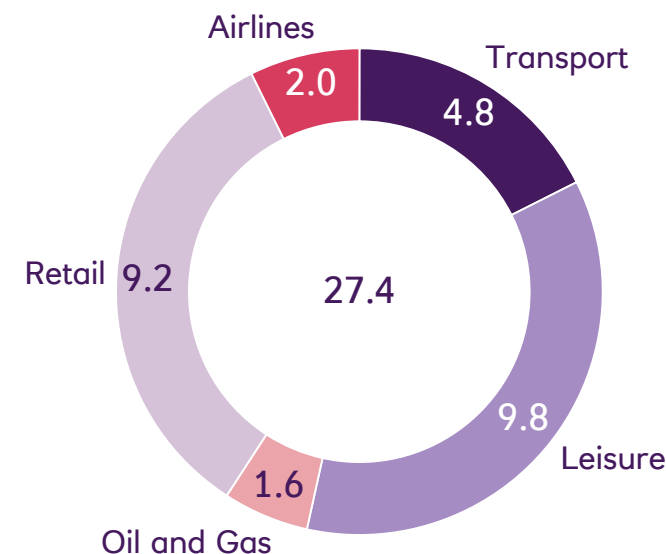


Staging of total loans and advances, Q4'20

Stage	Loans, £bn <sup>1</sup>	ECL, £bn	ECL cov, %
Stage 1	287.1	0.5	0.2%
Stage 2	78.9	3.1	3.9%
Stage 3	6.4	2.6	40.7%
<b>Total</b>	<b>372.4</b>	<b>6.2</b>	<b>1.7%</b>
Total Q3'20 <sup>4</sup>	365.3	6.4	1.7%

Spotlight on sectors in focus for management, Q4'20

Total loans and advances<sup>1,3</sup>, £bn



Staging of sectors in focus for management<sup>2,3</sup>, Q4'20

Stage	Loans, £bn <sup>1</sup>	ECL, £bn	ECL cov, %
Stage 1	14.8	0.1	0.4%
Stage 2	11.8	0.7	6.0%
Stage 3	0.8	0.4	52.2%
<b>Total</b>	<b>27.4</b>	<b>1.2</b>	<b>4.3%</b>
Total Q3'20	28.8	1.2	4.3%



**Donal Quaid**  
Treasurer

## Treasurer's review

Strong capital and leverage positions, robust liquidity and diversified funding.

Further progress on meeting end-state MREL requirements and optimising the capital stack.

Significant progress on ESG journey including a marked improvement in ESG ratings

### Capital and leverage

**18.5%**

CET1 ratio

**24.5%**

Total capital ratio

**37.5%**

LAC ratio

**6.4%**

UK leverage ratio

### Liquidity and funding

**165%**

Liquidity coverage ratio

**84%**

Loan:deposit ratio

**£62bn**

customer deposit inflows in 2020

### 2020 Issuance and capital optimisation

**~£1.4bn**

Senior MREL

**~£1.6bn**

Tier 2

**~£2bn**

AT1

**~\$2bn**

Legacy capital retired

### Ratings

Credit

**Baa2**

Moody's

ESG

**AA**

MSCI

**BBB**

S&P

**A**

Fitch

**20.5/medium**

Sustainalytics



## Strong capital position provides flexibility<sup>1</sup>

We have shaped a business that we intend to operate with a CET1 ratio of between 13% to 14% by FY'23.

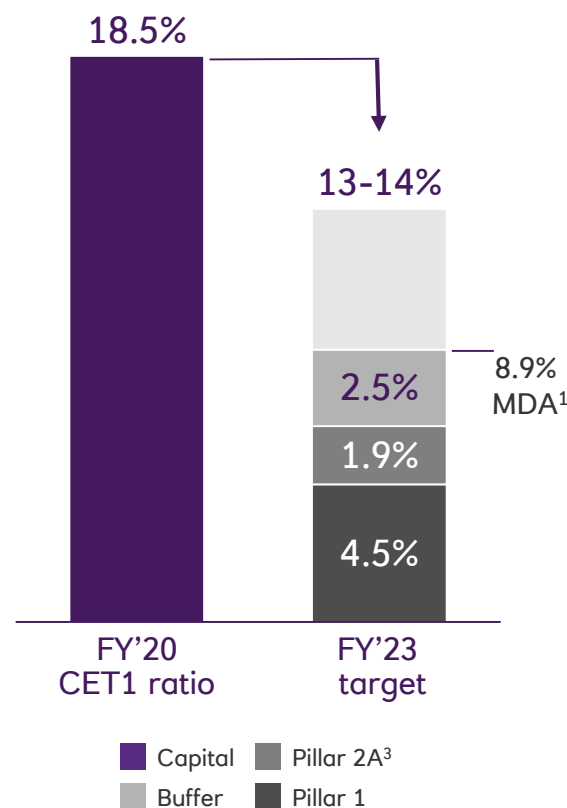
Our CET1 ratio is now 450-550bps or c.£7.7-9.4bn above our target range and more than double our Maximum Distributable Amount.

1. Refer to detailed disclosure in ARA. Headroom presented on the basis of target CET1, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future.
2. Based on assumption of static regulatory capital requirements.
3. NatWest Group plc's Pillar 2A requirement was 3.4% of RWAs as at 31 December 2020 based on a nominal requirement. 56.25% 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.

## CET1 headroom above medium term target<sup>1,2</sup>

**450-550bps**

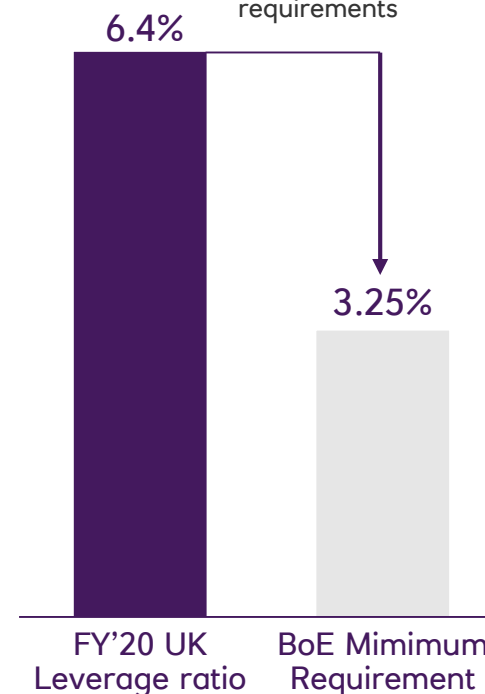
£7.7-9.4bn of headroom in Q4'20



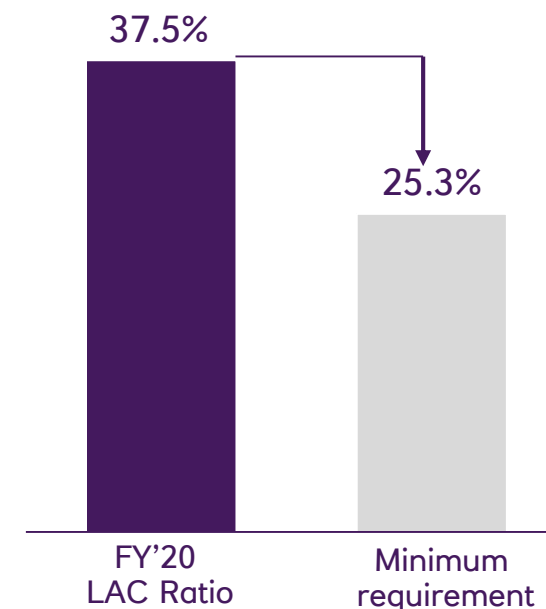
## Headroom above minimum UK leverage requirements

**315bps**

headroom above minimum requirements



## Loss absorbing capital ratio (LAC) well above min UK requirement



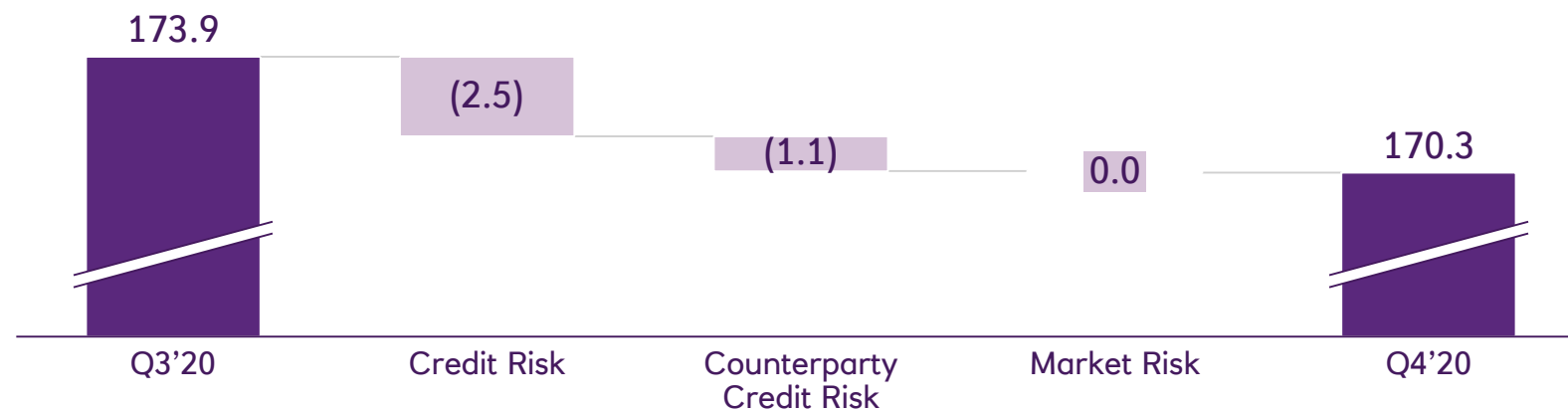
## Robust capital position with limited procyclicality to date

RWA reduction of £3.6bn in the quarter driven by NWM, which reduced by £3.1bn. Procyclicality for the group was a benefit of £0.5bn in Q4'20 and nil for FY'20, as positive Retail trends more than offset Commercial.

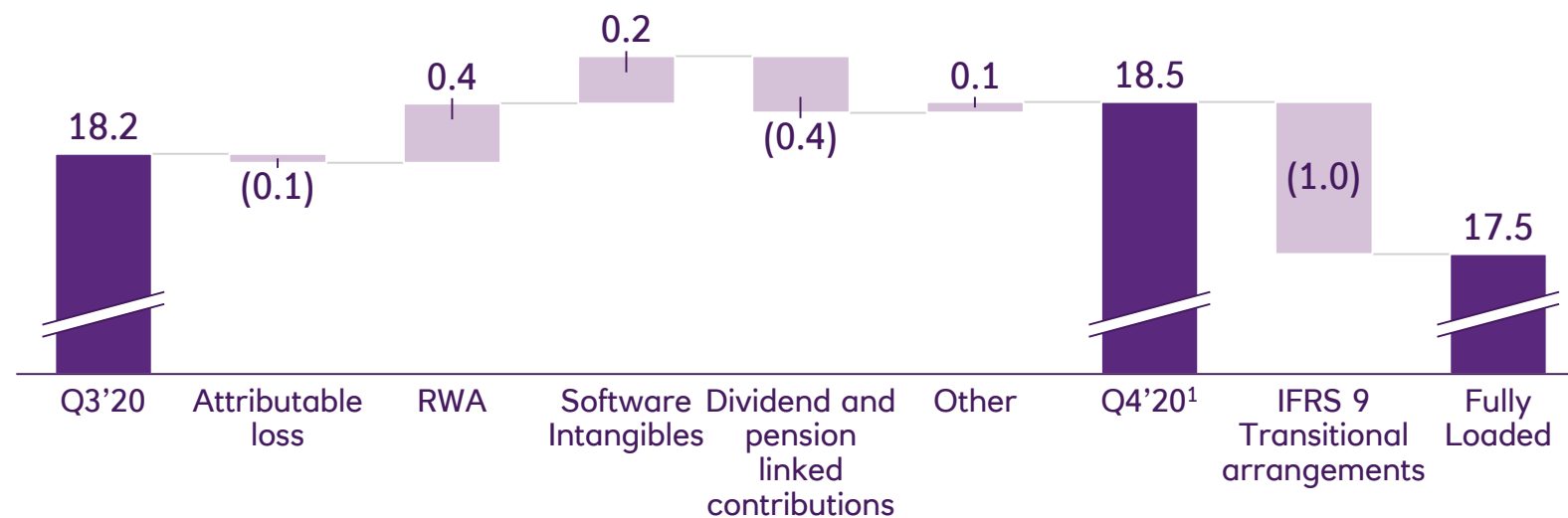
CET1 ratio increased 30bps in the quarter driven by lower RWAs and software intangible benefit partially offset by the 3p proposed dividend and linked pension contribution.

1. Including IFRS9 Transitional adjustment at 100% reducing to 75% in 2022.
2. May not cast due to rounding.

### RWA, £bn



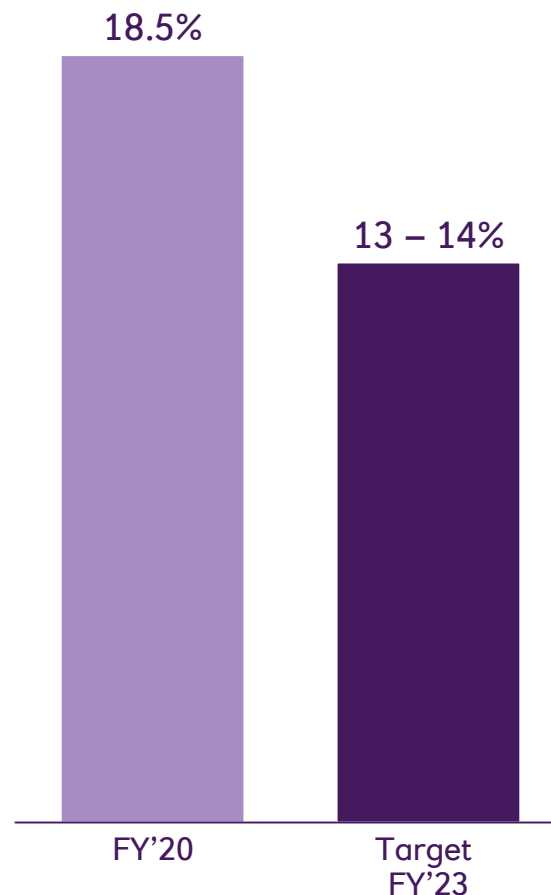
### CET1, (%)<sup>2</sup>



We have shaped a business that should operate at a CET1 ratio of between 13% to 14% by 2023<sup>1</sup>

We expect to end 2021 with RWAs in the range of £185 – 195bn<sup>1</sup>, including the impact of regulatory changes effective 1 January 2022.

## CET1 ratio



## Key Drivers of CET1 ratio<sup>1</sup>:

Earnings	We target an improvement in ROTE to 9-10% by FY'23
Shareholder distributions	We intend to distribute a minimum of £800m per annum through dividends while retaining capacity to participate in Direct Buy Backs.
Dividend-linked pension contributions	Further £1.1bn pre-tax accrual, with a maximum of £500m per annum.
IFRS 9 unwind	£1.7bn benefit of 100% at FY'20, will unwind to 75% in FY'22, 50% FY'23, 25% FY'24. Will also be affected by stage migration which remains uncertain.
Lending volumes	RWA consumption is dependent on loan growth and mix
NatWest Markets refocus	In 2021 we expect to achieve the majority of the remaining RWA reduction towards the medium term target of £20bn
RWA procyclicality	We expect to incur inflation due to negative credit rating migration, timing is dependent on economic development
Regulation	<p>We expect mortgage risk-weight inflation of around £12bn and other model changes to be introduced on 1 Jan 2022. Procyclicality may bring part of this forward into 2021.</p> <p>We anticipate RWA inflation from Basel 3 amendments to be less than 5% of RWAs as at FY'20 and currently expect implementation in 2023, subject to regulatory uncertainty on both quantum and timing.</p>

1. This presentation contains forward-looking statements, please see Forward-Looking Statements on slide 32 and Outlook Statement on page 9 of NatWest Group plc FY'20 Company Announcement.

## Well positioned to meet 2022 capital and MREL requirements<sup>1</sup>

Total Capital in excess of Transitional and Fully loaded minimum requirements

On track to meet future end-state MREL requirements

The Bank of England and the PRA announced changes to regulatory capital requirements in response to Covid

### Countercyclical buffer

UK rate reduced from 1% to 0% effective from 11 March 2020

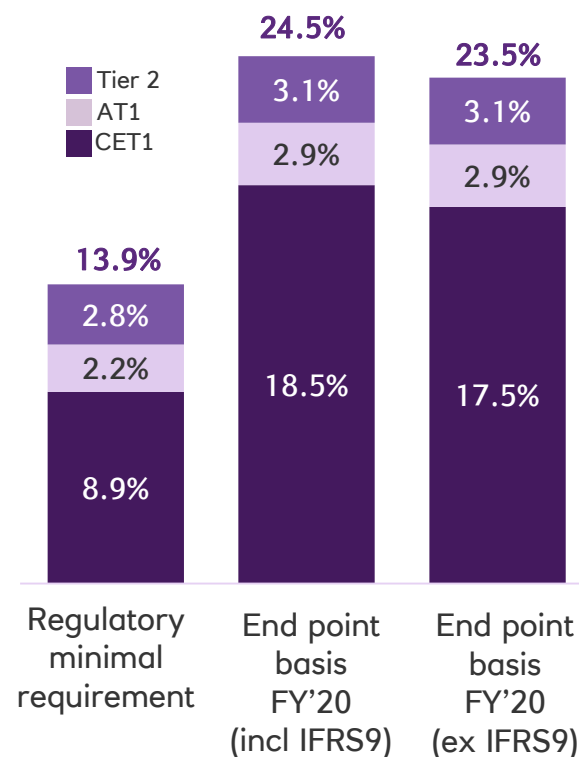
### Pillar 2A requirement

Applied as a nominal amount as at 31 December 2020

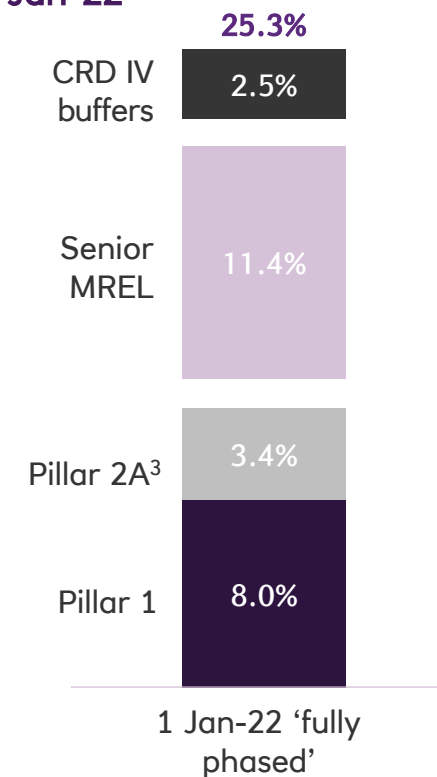
### O-SII buffer

Buffer of 1.5% is applied at the ring-fenced bank level (NatWest Holdings Group). At NWG plc consolidated level, the O-SII forms part of the PRA buffer

### Total Capital versus minimum requirements



### Total LAC requirements 1-Jan-22<sup>2</sup>



<sup>1</sup> "MREL" = Minimum required eligible liabilities <sup>2</sup> Illustration, based on assumption of static regulatory capital requirements. <sup>3</sup> NatWest Group plc's Pillar 2A requirement was 3.4% of RWAs as at 31 December 2020. 56.25% of the total Pillar 2A requirement, must be met from CET1 capital. From July 2020 the Pillar 2A requirement is set as a notional amount. 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.



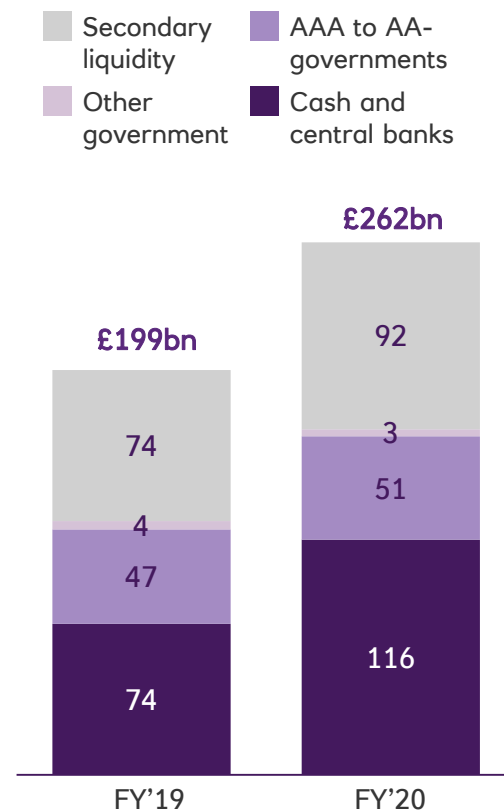
## Significant excess liquidity, diversified funding

Liquidity position reflects strong deposit growth across both our corporate and retail franchises

Continue to optimise funding requirements, including repayment of £5bn TFSME drawings

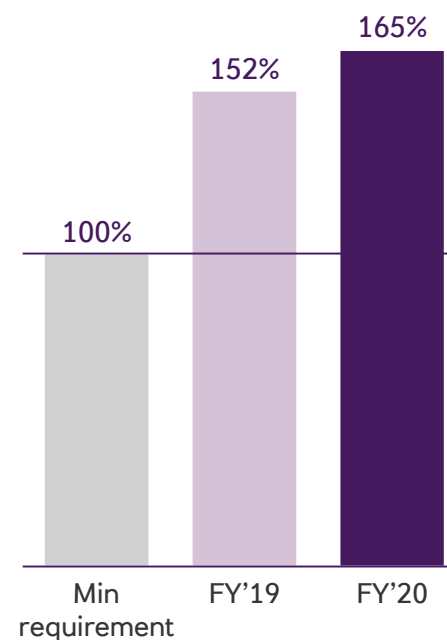
ESG HQLA portfolio grown to over £1bn

### High quality liquidity pool



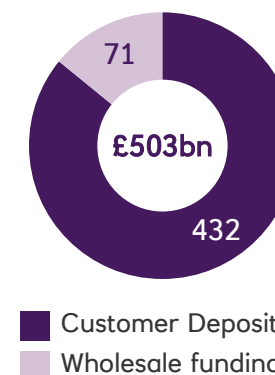
**£170bn in primary liquidity with mix of cash and high quality sovereign bonds**

### Liquidity coverage ratio well above minimum requirements

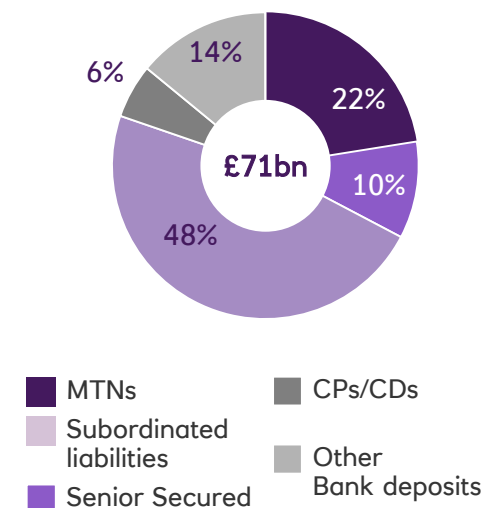


**Liquidity coverage ratio remains well above min UK requirement**

### Total funding mix (£bn)<sup>1,2</sup>



### Wholesale funding mix (£bn)<sup>1</sup>

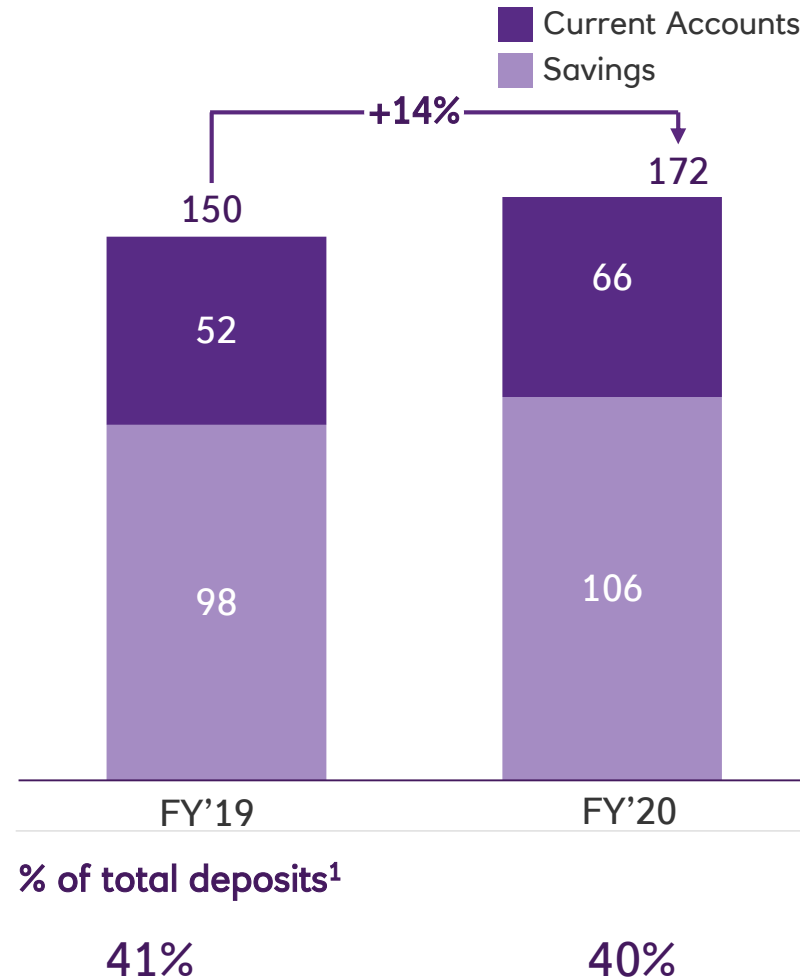


## Strong customer deposit inflows

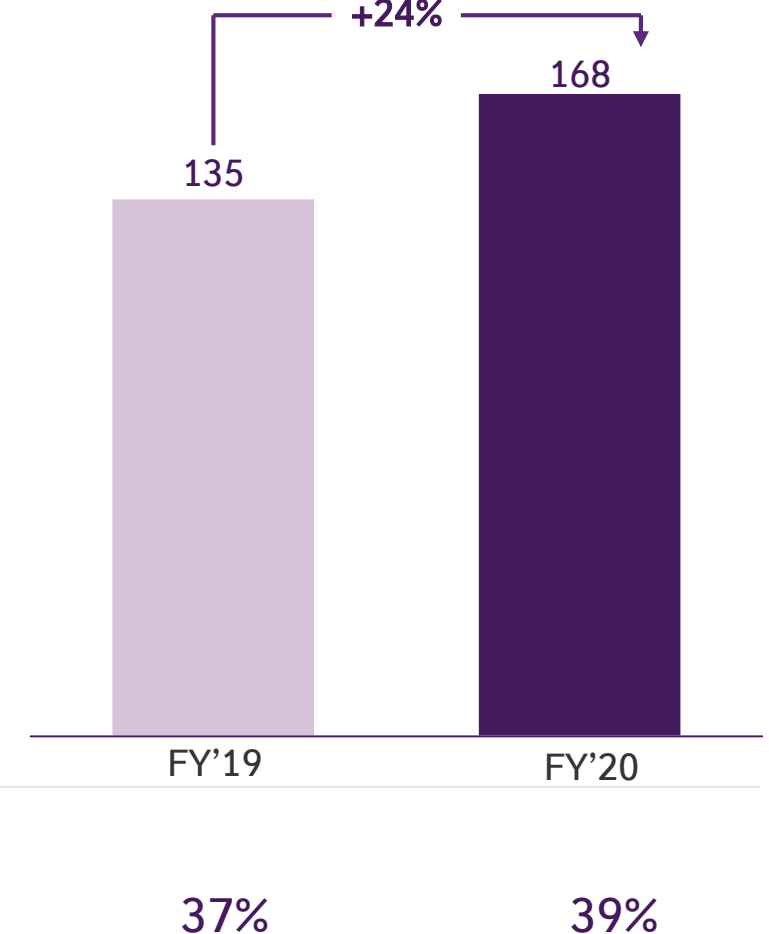
Retail Banking deposits increased by £22 billion as a result of lower customer spend and increased savings.

Commercial Banking deposits increased by £33 billion as customers built and retained liquidity

### Retail Banking £bn



### Commercial Banking £bn



<sup>1</sup> Other deposits include Ulster Bank RoI, Private Banking, NWM, RBSI, Central items and Other. Figures may not sum due to rounding









## Issuance and capital management strategy

NWG was active across the capital stack, issuing a combined ~£8bn in Senior unsecured, AT1 and Tier 2

2020 issuance included our inaugural Green bond under our GSS framework, our first GBP Tier 2 since 2006 and our first ever GBP AT1

Successful execution of a targeted LME to optimise capital structure

### 2020 Issuance recap

<b>Senior unsecured</b> ~£1.4bn HoldCo MREL (dual-tranche)	\$600m 4NC3 Green  \$1bn 8NC7	 	<ul style="list-style-type: none"><li>• First USD green bond issued by a UK bank</li></ul>
<b>Senior unsecured</b> ~2.5bn OpCo (Non-MREL)	€1bn 5 year fixed \$1bn 3 year fixed	 	<ul style="list-style-type: none"><li>• Balance of funding in private placements</li></ul>
<b>Tier 2</b> ~£1.6bn HoldCo	£1bn 10.25NC5.25  \$850m 15.25NC10.25	 	<ul style="list-style-type: none"><li>• First NWG GBP Tier 2 issued since 2006</li><li>• First Tier 2 structured with 3 month par call window</li></ul>
<b>AT1</b> ~£2bn HoldCo	\$1.5bn PNC6 6.0%  £1bn PNC7 5.125%	 	<ul style="list-style-type: none"><li>• Inaugural NatWest Group GBP AT1</li></ul>
<b>Capital management</b> ~\$2bn targeted LME	Targeted CRR non-compliant Tier 1 securities and bullet format Tier 2 securities in their final five years of maturity.		

## Issuance and capital management strategy

Expect to be active across the capital stack as we look to complete MREL requirements and continue to look for opportunities to optimise the AT1 and Tier 2 capital stack

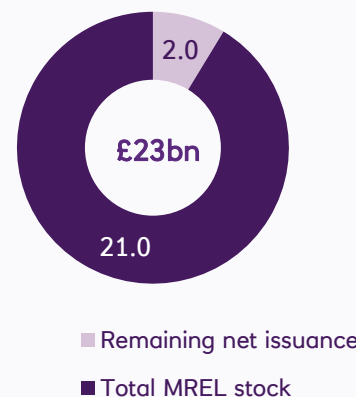
## 2021 Issuance programme

### Senior unsecured

- ~£3-5bn HoldCo senior MREL
- Limited OpCo issuance

### Senior MREL end-state requirement

£billion equivalent  
Illustrative amount based on £200bn RWA



Senior MREL requirement is 11.4% of RWA as per Bank of England guidance

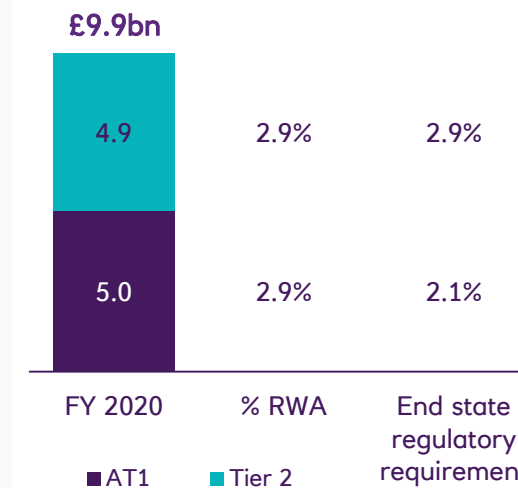
### Capital

- ~£2bn HoldCo Tier 2
- ~£1bn HoldCo AT1

### AT1 & T2 instruments

£billion equivalent

Regulatory value of CRR compliant capital as at 31 December 2020.



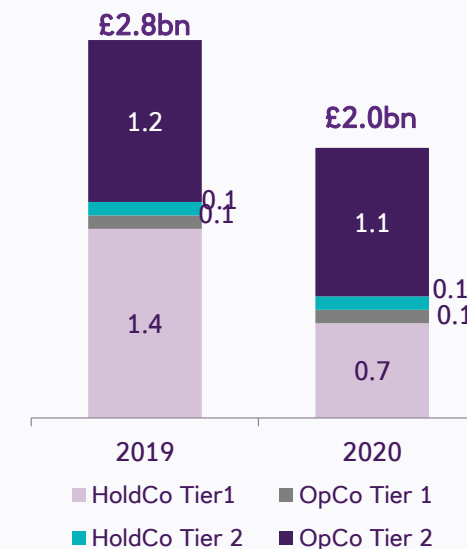
### Legacy capital

- Ongoing opportunities to optimise regulatory efficiency

### Legacy capital stack

CRR non-compliant from 1-Jan-22

£billion equivalent  
Regulatory value





Marked improvement in ESG ratings<sup>1</sup> from MSCI and Sustainalytics, reflecting our progress in a number of areas

Proportion of senior HoldCo issuance in Green, Social & Sustainability bond format

<sup>1</sup> ESG ratings on this page are: (i) unsolicited; (ii) subject to the assessment and interpretation by the ESG rating agencies; (iii) provided without warranty (iv) not a sponsorship, endorsement, or promotion of NatWest Group by the relevant rating agency

<sup>2</sup> The \$600m inaugural green bond constitutes approximately £450m of the £1 billion we stated in February 2020 that we expected to issue under our Green, Social and Sustainability Bond Framework in 2020

## MSCI

- Rating improved to AA from BBB

## SUSTAINALYTICS

- Rating improved to 20.5/Medium risk
- A score of < 20 would characterise NWG as 'low' risk

Our **GSS Bond Framework** was launched in 2019 and updated in October 2020, aligned with ICMA Green and Social Bond Principles

- We've issued **~£1.1bn** in GSS format to date, providing dedicated funding for loans and investment that bring a positive environmental or social impact

### Enterprise



#### November 2019

Inaugural social bond, raising **€750m**, allocated to loans to UK SMEs, supporting lending to some of the most deprived parts of the UK

### Climate



#### May 2020

Inaugural green bond, raising **\$600m<sup>2</sup>** to support renewables financing (solar, onshore and offshore wind and hydropower)



**Katie Murray**

Chief Financial Officer

Focused on generating shareholder value driven by our strategic priorities

We are:

- Generating resilient performance
- Supporting our customers and growing
- Investing to accelerate our digital transformation to better serve our customers

## Purpose-led, long term decision making

A purpose led, customer focused business with capability to grow

Intelligent and consistent approach to risk

Focus on simplification and taking costs out

Robust balance sheet with strong capital & liquidity levels

Focused on generating shareholder value

## 1 We have shaped a business that should operate at a CET1 ratio of between 13% to 14% by 2023

450-550 bps or c.£7.7-9.4bn headroom to target CET1 ratio in Q4'20 and more than double our Maximum Distributable Amount

## 2 Expect to generate a ROTE of 9-10% by 2023

## 3 NatWest Group intends to maintain ordinary dividends of around 40% of attributable profit and aims to distribute a minimum of £800 million per annum each year from 2021 to 2023 via a combination of ordinary and special dividends



## Q&A





# Appendix



## FY'20 and Q4'20 performance: resilient operating profit before impairments

Income in Q4'20 was up 4.6% vs. Q3'20 due to stronger volumes, higher NIM and non-repeat of loss on liability management exercise in Q3.

Other expenses ex-OLD in Q4'20 include annual bank levy and are down 4.5% vs Q4'19.

Q4'20 impairment charge was lower than Q3'20 at £130m, or 14bps of gross customer loans.

1. FY'19 excludes £2,159m of notable items: FX recycling gain of £1,459m, Alawwal merger gain on disposal of £444m and £256m provisions release relating to the Alawwal disposal.

£m	Q4'20	Vs Q3'20	FY'20	Vs FY'19 <sup>1</sup>
Net interest income	1,971	2.3%	7,749	(3.7%)
Non-interest income	564	13%	3,047	(25%)
<b>Total income</b>	<b>2,535</b>	<b>4.6%</b>	<b>10,796</b>	<b>(11%)</b>
Other expenses	(1,821)	15%	(6,779)	(3.8%)
Strategic costs	(326)	46%	(1,013)	(27%)
Litigation and conduct costs	(194)	n.m.	(113)	(87%)
<b>Operating expenses</b>	<b>(2,341)</b>	<b>29%</b>	<b>(7,905)</b>	<b>(15%)</b>
<b>Operating profit before impairments</b>	<b>194</b>	<b>(68%)</b>	<b>2,891</b>	<b>4.4%</b>
Impairment losses	(130)	(49%)	(3,242)	n.m.
<b>Operating profit / (loss)</b>	<b>64</b>	<b>(82%)</b>	<b>(351)</b>	<b>n.m.</b>
Tax	(84)	(59%)	(83)	n.m.
<b>Attributable profit / (loss)</b>	<b>(109)</b>	<b>n.m.</b>	<b>(753)</b>	<b>n.m.</b>
RoTE	(1.4%)	n.m.	(2.4%)	n.m.



## Credit ratings

Moody's recently upgraded NatWest Markets two notches to A3, whilst maintaining it's positive outlook.

Fitch upgraded the senior ratings of NWM Plc and NWM NV by one notch

Fitch and S&P revised the outlook for all Group to negative from stable, in line with most of the sector

All other ratings were affirmed in volatile market conditions

	Moody's	S&P	Fitch
<b>Group holding company</b>			
NatWest Group plc	Baa2/Pos	BBB/Neg	A/Neg
<b>Ring-fenced bank operating companies</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>Non ring-fenced bank operating companies</b>			
NatWest Markets Plc	A3/Pos	A-/Neg	A+/Neg
NatWest Markets N.V.	A3/Pos	A-/Neg	A+/Neg
NatWest Markets Securities Inc	NR	A-/Neg	A/Neg
RBSI Ltd	Baa1/Pos	A-/Neg	A/Neg

## ESG ratings

The MSCI rating improved from BBB to AA

The Sustainalytics rating also improved to 20.5/Medium risk. A score of < 20 would characterise NWG as ‘low’ risk

	Scale	2019	2020
MSCI			
Rating	AAA to CCC	BBB	AA
Sustainalytics Risk Rating			
Rating	1-100 Negligible to Severe	27.7 Medium risk	20.5 Medium risk
Industry rank (banks)		#242/933	
CDP			
Rating	A to D-	B	A-
Industry average		C	B
ISS ESG			
Rating	A+ to D-	C	C
Prime Status		Prime	Prime
FTSE4Good		Included	Included

Note: ESG ratings on this page are: (i) unsolicited; (ii) subject to the assessment and interpretation by the ESG rating agencies; (iii) provided without warranty (iv) not a sponsorship, endorsement, or promotion of NatWest Group by the relevant rating agency

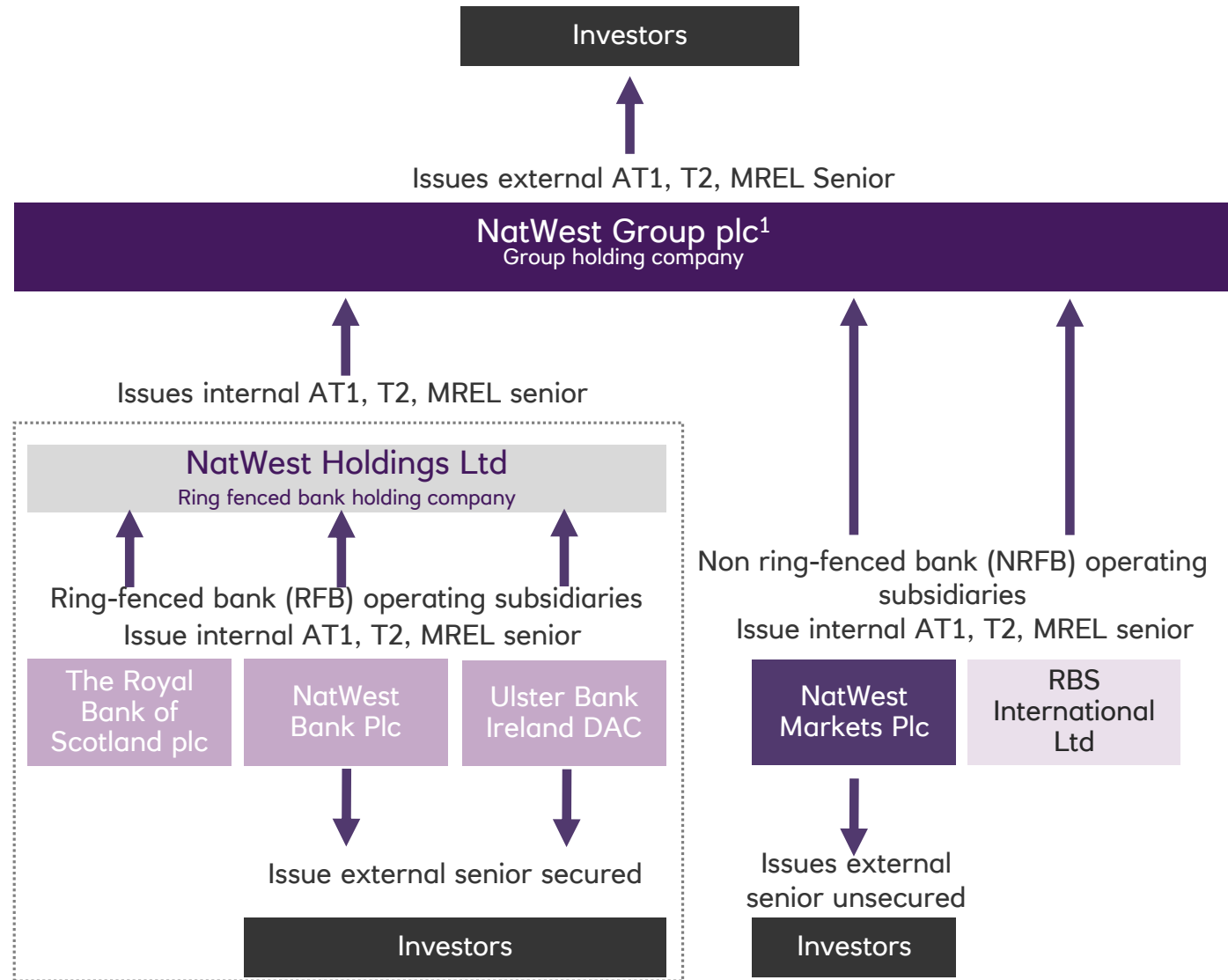
## Issuing entity structure

External issuance of AT1, Tier 2 and MREL is only from NatWest Group plc, the group holding company.

Subsidiary operating companies will only issue internal AT1, Tier 2 and MREL.

NatWest Bank Plc and Ulster Bank Ireland DAC issue senior secured securities externally.

Natwest Markets Plc issues senior unsecured securities externally.



<sup>1</sup> The Royal Bank of Scotland Group plc was renamed NatWest Group plc on 22<sup>nd</sup> July 2020.

## Legal entity capital positions

External issuance of AT1, Tier 2 and MREL will only be from NatWest Group plc, the group holding company.

Subsidiary operating companies will only issue AT1, Tier 2 and MREL internally.

NatWest Bank Plc and Ulster Bank Ireland DAC issue senior secured securities externally.

Natwest Markets Plc issues senior unsecured securities externally.

FY 2020	NatWest Holdings Group	NatWest Bank Plc	Royal Bank of Scotland plc	Ulster Bank Ireland DAC	NatWest Markets Plc	RBSI
Capital and leverage metrics						
CET1 ratio	17.5%	17.8%	17.6%	28.1%	21.7%	18.6%
Tier 1 ratio	20.3%	20.2%	21.5%	28.1%	25.2%	22.7%
Total Capital ratio	24.2%	23.9%	27.1%	30.4%	30.3%	23.1%
RWA	£135.3bn	£86.9bn	£25.1bn	£12.7bn	£25.6bn	£7.3bn
CRR leverage ratio	5.3%	4.7%	6.3%	14.9%	5.2%	4.4%
Internal MREL issuance <sup>1</sup>						
Tier 1	£3.7bn	£2.4bn	£1.0bn	-	£1.1bn	£0.3bn
Tier 2	£4.9bn	£3.3bn	£1.5bn	£0.5bn	£1.5bn	n/a
Senior unsecured	£9.0bn	£3.9bn	£0.4bn	£0.5bn	£5.2bn	n/a
Total internal issuance	£17.6bn	£9.6bn	£2.9bn	£1.0bn	£7.8bn	£0.3bn

<sup>1</sup> Internal issuance to the immediate parent company. Amounts under NatWest Holdings Group reflect issuance from the ring-fenced bank holding company, NatWest Holdings Limited

# Financial targets and outlook<sup>1</sup>

	2021 financial targets and outlook	Medium-term targets and outlook
Costs	We plan on reducing other expenses, excluding OLD, by around 4% in comparison to 2020, excluding any change in the direct cost base of Ulster Bank Rol. We also expect to incur strategic costs of around £0.8 billion during 2021 from the continued refocussing of NatWest Markets and resizing of the Group's cost base.	Expect annual cost reduction of around 4%, excluding the impact of the phased withdrawal from the Republic of Ireland, along with continued strategic cost reduction.
Impairments	Our full year 2020 impairment loss rate was 88 basis points of gross customer loans. We expect that the full year 2021 loss rate will be at or below our through the cycle guidance of 30-40 basis points, with losses driven by a combination of the developing economic outlook for the UK and Republic of Ireland and the level of economic distress experienced by our personal and commercial customers as government support measures scale down and restrictions ease.	n/a
Capital	n/a	CET1 ratio of between 13% to 14% by 2023.
Returns	n/a	9-10% ROTE by 2023
RWAs	We expect NatWest Group RWAs, including Ulster Bank Rol, to be in the range of £185-195 billion, when including on a proforma basis the impact of Bank of England's mortgage risk weight changes and other model changes introduced on 1 January 2022. The impact of the mortgage regulatory changes is expected to be around £12 billion, subject to the timing and quantum of any procyclicality before implementation and based on the current book size and weighting. The £12 billion equates to an anticipated book risk weight of 15% which is subject to change. We expect minimal reduction in RWAs in Ulster Bank Rol in 2021 as a result of the completion of the strategic review announced today. Other changes in RWAs will be driven by the level of procyclical inflation driven by the economic outlook, downgrades in the credit quality and assessments in the commercial book and ongoing demand for lending from our customers.	<p>We anticipate RWA inflation from Basel 3 amendments to be less than 5% of RWAs as at 31 December 2020 and currently expect implementation in 2023. The details of Basel 3 amendments remain subject to regulatory uncertainty on both quantum and timing.</p> <p>As a result of the decision to withdraw from the Republic of Ireland announced today we would expect the level of RWAs to reduce in the coming years, and for this withdrawal to be capital accretive for NatWest Group across the multi-year process.</p>
NWM	We expect NatWest Markets exit and disposal costs and the impact of Commercial Banking capital management actions to total a combined £0.3 billion in 2021. In 2021 we also expect to achieve the majority of the remaining NatWest Markets RWA reduction towards the medium term target of £20 billion.	Medium term RWA target of £20bn.
Lending	We are targeting above market rate lending growth across our UK and RBS International retail and commercial businesses, excluding UK Government financial support schemes	Supporting this we are targeting above market lending growth per annum across our UK and RBS International retail and commercial businesses
Dividends and pay-outs	Subject to economic conditions being in line with, or better than, our central economic forecast, NatWest Group intends to maintain ordinary dividends of around 40% of attributable profit and aims to distribute a minimum of £800 million per annum from 2021 to 2023 via a combination of ordinary and special dividends. NatWest Group intends to maintain the required capacity to participate in directed buybacks of the UK Government stake and recognises that any exercise of this authority would be dependent upon HMT's intentions and is limited to 4.99% of issued share capital in any 12 month period.	

<sup>1</sup> This presentation contains forward-looking statements, please see Forward-Looking Statements on slide 32

## Cautionary and Forward-looking statements

The guidance, targets, expectations and trends discussed in this presentation represent NatWest Group (and where applicable NWM Group) management's, current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 345-361 of the NatWest Group plc 2020 Annual Report and Accounts, as well as the Risk Factors on pages 156-172 of the NWM 2020 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', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. In particular, this document includes forward-looking statements relating, but not limited to: the Covid-19 pandemic and its impact on NatWest Group; future profitability and performance, including financial performance targets (such as RoTE) and discretionary capital distribution targets; ESG and climate related targets, including in relation to sustainable financing and financed emissions; planned cost savings; implementation of NatWest Group's Purpose-led strategy, including in relation to the refocusing of its NWM franchise and the digitalisation of its operations and services; the timing and outcome of litigation and government and regulatory investigations; the implementation of the Alternative Remedies Package; balance sheet reduction, including the reduction of RWAs; capital, liquidity and leverage ratios and requirements, including CET1 Ratio, RWAes, Pillar 2 and other regulatory buffer requirements and MREL; funding plans and credit risk profile; capitalisation; portfolios; net interest margin; customer loan and income growth and market share; impairments and write-downs, including with respect to goodwill; restructuring and remediation costs and charges; NatWest Group's exposure to political risk, economic risk, climate, environmental and sustainability 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 Promotor Score (NPS); employee engagement and gender balance in leadership positions.

### Limitations inherent to forward-looking statements

These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's strategy or operations, which may result in NatWest Group being unable to achieve the current plans, expectations, estimates, targets, projections 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 results, gains or losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein, whether to reflect any change in our expectations with regard thereto, any change in events, conditions or circumstances on which any such statement is based, or otherwise, except to the extent legally required.

### 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 described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Group plc's Annual Report on Form 20-F and its other filings with the US Securities and Exchange Commission. The principal risks and uncertainties that could adversely NatWest Group's future results, its financial condition and prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: risks relating to the COVID-19 pandemic (including in respect of: the effects on the global economy and financial markets, and NatWest Group's customers; increased counterparty risk; NatWest Group's ability to meet its targets and strategic objectives; increased operational and control risks; increased funding risk; future impairments and write-downs); economic and political risk (including in respect of: uncertainty regarding the effects of Brexit; increased political and economic risks and uncertainty in the UK and global markets; changes in interest rates and foreign currency exchange rates; and HM Treasury's ownership of NatWest Group plc); strategic risk (including in respect of the implementation of NatWest Group's Purpose-led Strategy, including the re-focusing of the NWM franchise and NatWest Group's ability to achieve its targets); financial resilience risk (including in respect of: NatWest Group's ability to meet targets and to resume discretionary capital distributions; the competitive environment; counterparty risk; prudential regulatory requirements for capital and MREL; funding risk; changes in the credit ratings; the adequacy of NatWest Group's resolution plans; the requirements of regulatory stress tests; model risk; sensitivity to accounting policies, judgments, assumptions and estimates; changes in applicable accounting standards; the value or effectiveness of credit protection; and the application of UK statutory stabilisation or resolution powers); climate and sustainability risk (including in respect of: risks relating to climate change and the transitioning to a low carbon economy; the implementation of NatWest Group's climate change strategy and climate change resilient systems, controls and procedures; increased model risk; the failure to adopt to emerging climate, environmental and sustainability risks and opportunities; changes in ESG ratings; increasing levels of climate, environmental and sustainability related regulation and oversight; and climate, environmental and sustainability related litigation, enforcement proceedings and investigations); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; complex IT systems (including those that enable remote working); attracting, retaining and developing senior management and skilled personnel; NatWest Group's risk management framework; and reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; compliance with regulatory requirements; the outcome of legal, regulatory and governmental actions and investigations; the replacement of LIBOR, EURIBOR and other IBOR rates; heightened regulatory and governmental scrutiny (including by competition authorities); implementation of the Alternative Remedies Package; and changes in tax legislation or failure to generate future taxable profits).

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 a solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.