



# FY 2020 Results

19<sup>th</sup> February 2021



**Howard Davies**  
Chairman





**Alison Rose**  
Chief Executive 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.







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

94% of mortgage payment holidays have matured in Retail Banking

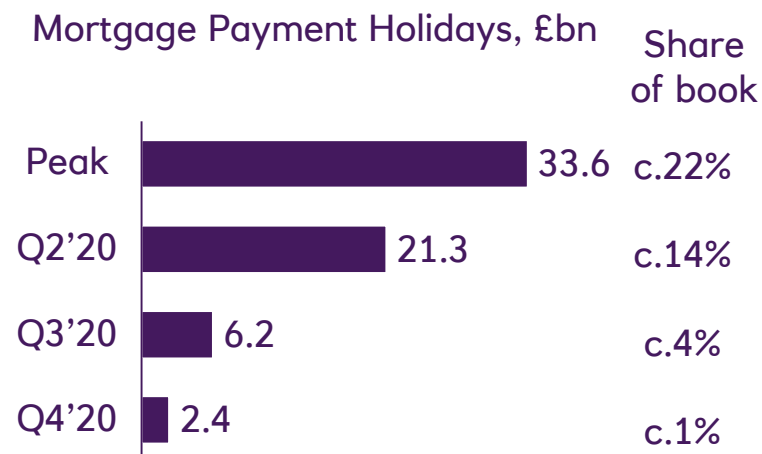
Over 97% of mortgage payment holidays due have returned to paying as normal in Retail Banking

Revolving Credit Facility utilisation now below pre-Covid levels

## Supporting our customers

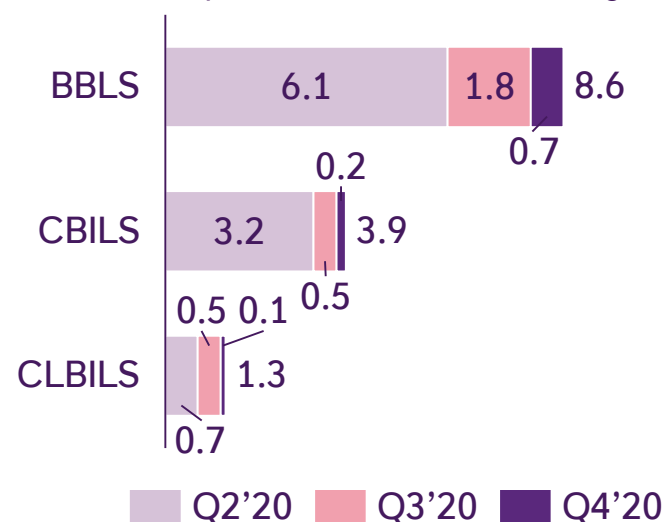
- 95% of branches kept open during the pandemic
- Extended support to vulnerable customers with £5m of cash delivered and launch of a Companion Card
- £31.5bn in gross new mortgage lending in FY'20 in Retail Banking

## Retail Banking Payment Holidays

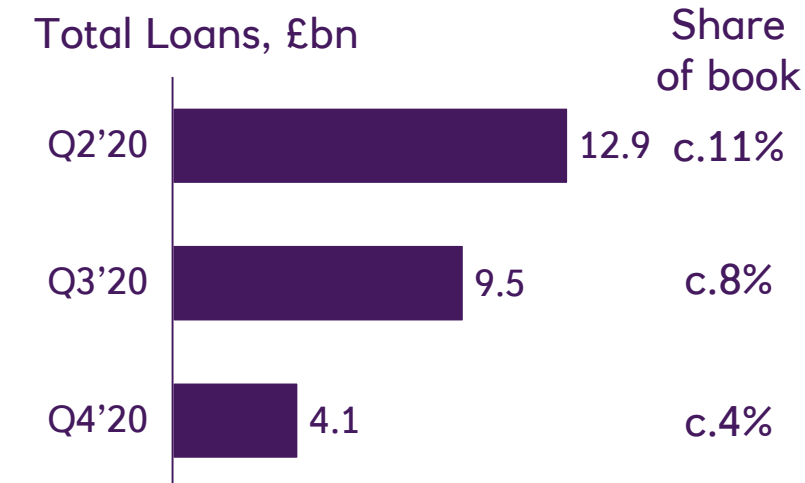


## Commercial Banking Activity

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



## Delivering on our Areas of Focus

### Stronger ESG Ratings<sup>9</sup>

- Sustainalytics: 20.5
- MSCI: AA
- ISS ESG: C (Prime)
- CDP: A-

## 2020 progress

### ENTERPRISE

The biggest supporter of enterprise in the UK & RoI

**1,230** new entrepreneurs supported with the Accelerator programme, and a further **14,200** through Business Builder

**10,000 hours** of coaching delivered to business owners, over **1,000** Enterprise support events reaching more than **45,000** attendees

**£1bn** funding for female entrepreneurs<sup>1</sup> fully deployed, fund recently doubled to **£2bn**

### LEARNING

Enhancing financial capability and the skills of our colleagues

**2.9m** financial capability interactions: Financial Health Checks, MoneySense, saving goals and fraud awareness training (against our 2.5m target)

**600k** customers helped to start saving<sup>2</sup> (targeting 2m by 2023)

**>760** Interns, Graduates and Apprentices hired and a commitment to hire a further 1k by end 2021

### CLIMATE<sup>8</sup>

A leading bank in the UK & RoI helping to address the climate challenge

Only **0.8%** of exposure<sup>3</sup> is to Oil & Gas, with **15.8%**<sup>3</sup> reduction (to ~£4.1bn). Developed **methodology to assess credibility of transition plans** of Oil & Gas majors and coal customers<sup>4</sup>.

**Achieved Net Zero Carbon** in 2020 for own operations<sup>5</sup>

**£12bn** climate and sustainable funding and financing. We expect to exceed our £20bn target during 2021<sup>6</sup>

**\$600m** NatWest Group Green Bond issued

Launched **Green Mortgages** and joined partnerships to help customers and colleagues **move to electric vehicles**

**Estimated emissions for 4** high carbon emitting **sectors**<sup>7</sup>

1. Announced in Jan 2020.  
2. Includes instances where customers had existing savings with other banks and transferred them to their NatWest Group account.  
3. Based on gross lending (amortised cost and FVOCI) and related off balance sheet exposures. Reduced by £775m from ~£4.9bn at Dec 2019.  
4. Customers engaged in coal (thermal and lignite) related mining, trading, power generation and supply activities.  
5. Achieved through a combination of emission reductions (partially offset by increased emissions from work from home) and the purchase of carbon credits.  
6. Under the NatWest Group's 2021 Climate and Sustainable Finance Criteria.  
7. ~45% of gross lending and investment balances at Dec 2019.  
8. Refer to the "Climate related disclosures report" for further details.  
9. 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

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





## Personal customers – strong position with capability to grow

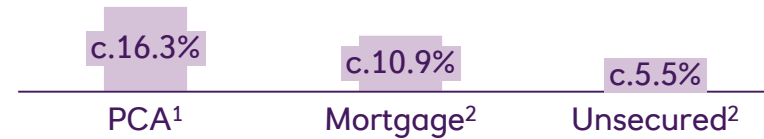
With strong product positions in Retail and Private Banking, we are transforming how we serve our customers including upgrading the customer journey for a digital world, using smart data capture and analytics to increase customer relevance.

## Retail Banking

## Private Banking

### Positioned for growth

Share of personal products



- Increased share of mortgage market to 10.9% at FY'20, from 10.2% at FY'19 across Retail Banking
- Organic mortgage lending growth of £12.5bn in FY'20, up 8.5% on FY'19
- Further £3.0 billion from purchase of UK mortgage portfolio from Metro Bank Plc



- AUMA increased 5.6% or £1.7bn in FY'20, reflecting positive investment performance of £0.9bn and net new money inflows of £0.8bn.
- BlackRock supporting investment management processing activity, enabling savings to be passed on to our clients.

### 2021 Focus Areas

- Streamlining the mortgage customer journey and decisioning time through ongoing investment.
- Further increase Retail Banking stock share of mortgage market.
- Plan to help more customers meet their investment needs resulting in significant AUMA growth over the next 3 years
- Targeting growth in High Net Worth mortgages
- UK Enterprise Fund enables Coutts' clients to invest in diverse and high-potential growth companies across UK

### Shared investment offering

- Digital Regular Saver and Digital Invest for our Retail customers.
- Investment options for our Premier and Private customers
- 1.6k new customers onboarded with Coutts and Adam of which 19% are a result of Groupwide introductions

1. Personal Current Account (PCA) share based on CACI volumes as at November 2020.

2. Based off December 2020 Bank of England data



Corporate customers – expanding more services across our franchise

Strong franchises and product positions across Commercial and NWM provide a powerful platform to serve our customers and drive future growth and opportunities in targeted segments.

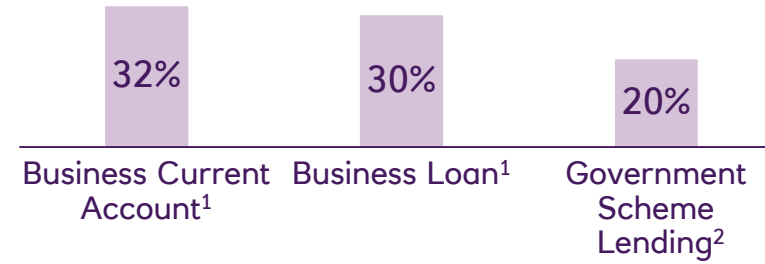
By serving our customers better we plan to increase share in priority segments at every stage of customers' lives.

## Commercial Banking

## NatWest Markets

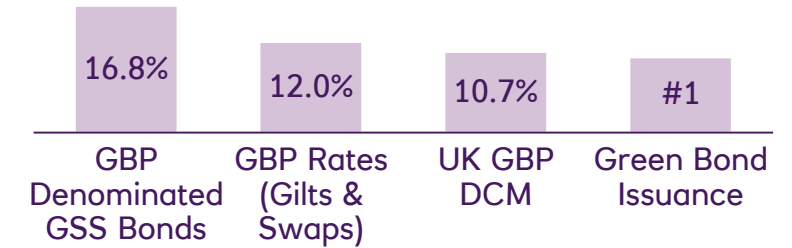
### Positioned for growth

Share of commercial products



- Largest supporter of UK business, serving around 1 in 4 UK businesses
- No bank achieved a higher NPS in FY'20<sup>4</sup>
- 67% of Commercial Banking sales via digital channels in FY'20<sup>6</sup>

Product share<sup>3</sup>



- New customer-led model with a simplified product offering
- c.£11bn RWA reduction, to £27bn at FY'20
- Agreement with BNP Paribas for execution and clearing of listed derivatives

### 2021 Focus areas

- Tyl continues to gain traction, processing in excess of £0.5bn and c.15m transactions since inception<sup>5</sup>
- PayIt processed over 130k transactions worth £18m to date, further scaling in FY'21
- Improve customer experience through digital enhancement and launch of new Direct Relationship Manager Proposition
- Partner across NWG to further embed Foreign Exchange
- Expanding breadth of NWM offering and expertise across Commercial Bank
- Leverage our ESG capability and product innovation

### Shared ESG capability

- We expect to exceed our £20 billion target of Climate Funding and Financing in FY'21

1. Commercial banking statistic is for businesses with turnover greater than £2m, Savanta MVBB Survey GB Q4 2020.  
 2. Of approved schemes, according to Data per HM Treasury available at 24<sup>th</sup> January 2021  
 3. GBP Rates based upon Gilts and Interest Rate Swap volumes across TradeWeb and Bloomberg for all maturities during 2020. UK GBP DCM based upon deal volumes from Dealogic during 2020 for SSA, FIG and Corporates and excludes self-led deals.. GBP denominated Green, Social and Sustainability (GSS) bonds based upon deal volumes from Bloomberg during 2020.  
 4. MarketVue Business Banking from Savanta, YE Q4 2020 data, based on 2435 businesses with a turnover of £2m+. Data weighted by region and turnover to be representative of businesses in England and Wales  
 5. Data to w/c 4<sup>th</sup> January 2021  
 6. Excluding BBLS



## Accelerating digital transformation to deliver income growth

The pandemic has significantly increased the pace of digital adoption, providing the platform for income growth across all channels

58% of our retail customer base exclusively use digital channels to interact with us, up 12 percentage points compared with FY'19

67% of Commercial Banking sales via digital channels in FY'20<sup>1</sup>

Branch counter transactions down 44% in FY'20<sup>2</sup>

We are a relationship bank for a digital world with high levels of digital engagement

### Video Banking

**15k**

Interactions per week at Jan'21  
compared to <100 in Jan'20

### Mobile

**7.7m**

Mobile Users in FY'20  
up 12% on FY'19

### Artificial Intelligence

**9m**

Cora Conversations in FY'20  
up 67% on FY'19  
40% required no human intervention

### Online

**9.4m**

Digitally Active Customers in FY'20  
up 8% on FY'19

**Target:** Above market rate lending growth across our retail and commercial businesses through to 2023<sup>3</sup>

1. Excluding BBLs  
2. Across UK Retail  
3. Comprises customer loans in our UK and RBS International retail and commercial businesses





## Accelerating digital transformation to drive simplification and cost efficiencies

Customer journeys account for c.30% of group operating costs.

Enhancing our internal delivery efficiency and opening up APIs and services to the UK economy to drive competitive advantage, partnerships and revenue opportunity

1. Estimated customer journey time based on core commercial lending at August 2019
2. Estimate excludes exceptions where additional checks are required to meet the rules of the Scheme
3. Illustrative customer journey time based on corporate and commercial lending for the period January through to November 2020
4. Based on 2019 (previous) and 2020 (current) volumes of applications with digitalised credit decision
5. As at September 2020
6. As at December 2020

## Simplifying customer journeys to improve customer experience

Journey	Metric	Previous	Current	Next Steps
Commercial Lending	Time to decision	14 days <sup>1</sup>	48 Hours <sup>2</sup> BBLS Lending	<ul style="list-style-type: none"> <li>Lending &lt;£750k, approval for customers within 3 days</li> </ul>
			10 Days <sup>3</sup> Other Lending	
Retail Unsecured	Digitalised credit decision	71% <sup>4</sup>	82% <sup>4</sup>	<ul style="list-style-type: none"> <li>Move all unsecured credit decisions to digital</li> </ul>
Retail Mortgages	Time to switch mortgage	Up to 23 <sup>5</sup> days	As little as 10 minutes <sup>6</sup>	<ul style="list-style-type: none"> <li>Extend digital customer approval and completion across all channels</li> </ul>

## Re-engineering processes to drive cost efficiencies

- We're targeting over £300m of gross savings though customer journey reengineering by 2023

### Case Study: Bounce Back Loan

- Fully automated platform
- Built in 6 days, from internal expertise
- Built to handle high volume of applications received at launch of BBLS
- £8.6bn approved in FY'20

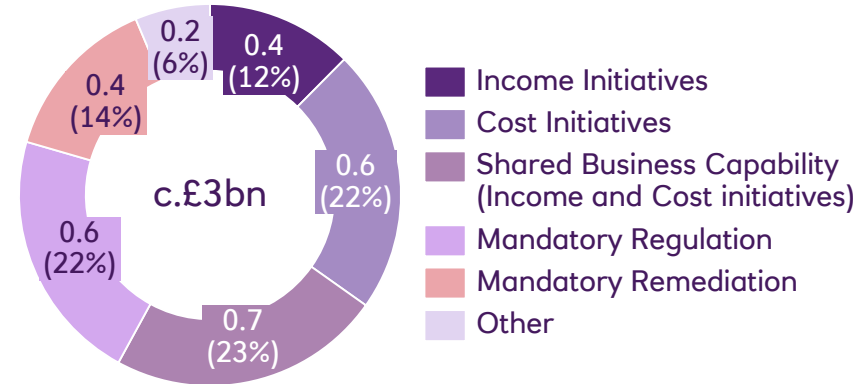


## Investment increasingly focused on delivering income and cost benefits

We have created the Chief Transformation Office to manage investment across the group, build key capabilities to simplify the bank, improve customer experiences and drive cost efficiencies

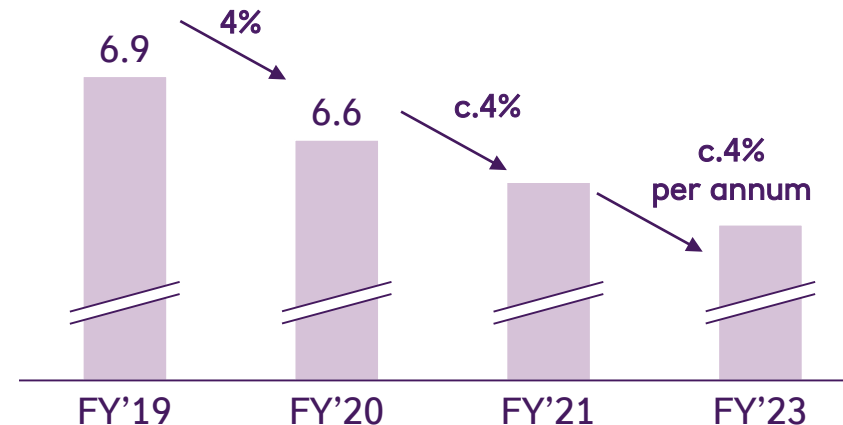
We intend to reduce strategic costs further in 2021 to around £0.8bn with continued reduction through to 2023

## Investment spend<sup>1</sup>, FY'21-FY'23



- We will invest £3bn over the next three years to support the One Bank strategy
- Includes the digitisation of key Customer Journeys, investment in data, cloud, and analytics to deliver One Bank technology.
- c.80% of investment relates to Digital and Technology programmes

## Other expenses<sup>2</sup>, £bn



- Higher quality investment spend drives greater cost benefits and supports ongoing cost reduction.
- Stable annual investment spend becomes greater proportion of underlying cost base

**Target: Reduce other expenses, excluding OLD, by around 4% per annum through to 2023<sup>2</sup>**

1. Denotes cash investment spend, the related income statement expense is included in Other expenses  
 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



## Actively Managing Capital

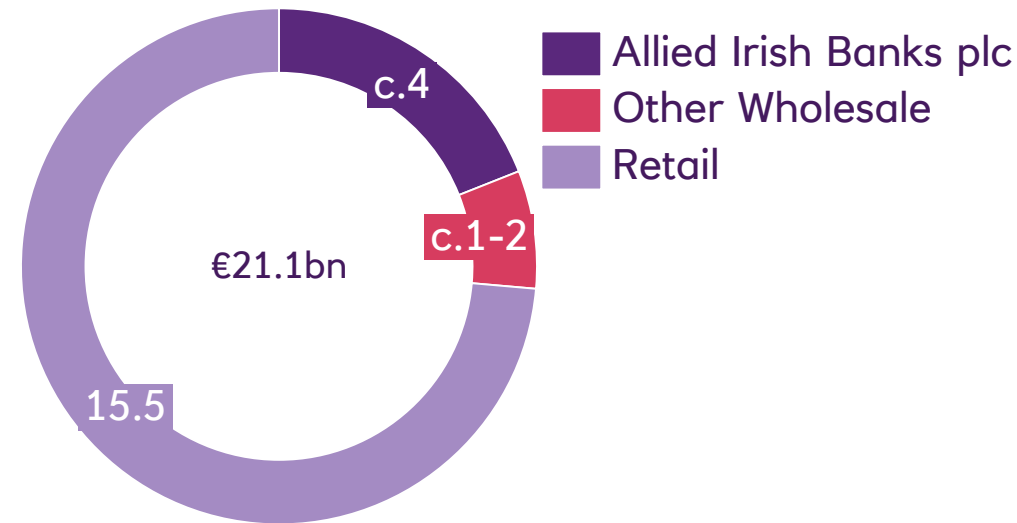
Strategic review undertaken of Ulster Bank in the Republic of Ireland through lens of sustainable returns and capital discipline

Outcome: NWG intends to effect a phased withdrawal from the Republic of Ireland over the coming years that will be managed in an orderly and considered manner

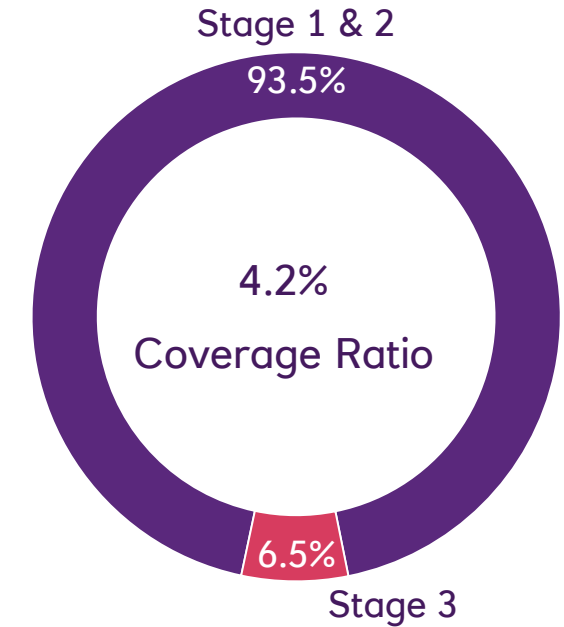
As part of this phased withdrawal, a non-binding Memorandum of Understanding with Allied Irish Banks plc has been agreed for the sale of a c.€4bn portfolio of performing commercial loans, and the transfer of the colleagues wholly or mainly assigned to this loan book<sup>2</sup>

### Ulster Bank Ireland DAC FY'20

Loans amortised cost (€bn)<sup>1</sup>



Loans by staging (€bn)<sup>1</sup>



▪ NPL ratio of 5.7% at FY'20

### UBIDAC Capital and RWAs, FY'20

▪ CET1 Capital Ratio: 28.1%

▪ Total RWA: €14.1bn

We expect NWG's withdrawal from the Republic of Ireland to be capital accretive over the multi-year process

1. Per page 82 of UBIDAC's 2020 Annual Report and Accounts.  
2. The proposed sale may not be concluded on the terms contemplated in the MoU, or at all. See UBIDAC's 2020 Annual Report and Accounts.





## Actively Managing Capital

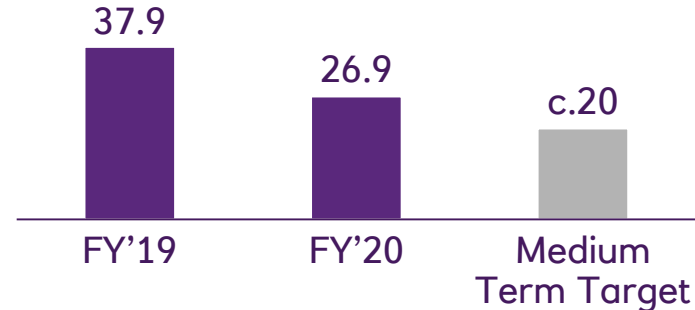
NWM reshaped; uses less capital, focused on NWG customers and improving returns

Proactive management in Retail and Commercial Banking to optimise capital, manage credit risk and drive sustainable returns

Legacy capital stack managed to optimise regulatory efficiency

## NatWest Markets RWA reduction progressing toward target

Risk Weighted Assets (£bn)



- Reduced RWA by £11bn or 29% during 2020, c.£5bn ahead of FY'20 guidance<sup>1</sup>
- £500m dividend paid to NatWest Group in Feb-21 from NatWest Markets
- We expect NatWest Markets disposal losses and the impact of Commercial Banking capital management actions to total £0.3 billion of losses in 2021

## Portfolio Sales and Synthetic Trades

- Proactively managing portfolios to optimise capital and manage credit risk to drive sustainable returns
- Commercial Banking actions reduced RWA £0.8 billion in FY'20, with a £37m net operating loss impact. Further optimisation planned for FY'21
- Retail Banking has sold c.£3bn of non-performing debt in the past 4 years including c.£0.3bn in FY'20

## Managing non-equity capital

- Continue to optimise the regulatory efficiency of our debt instruments
- \$2bn LME of Tier1 and Tier 2 securities and call of \$2bn high-coupon AT1 in 2020. CET1 reduction c.35bps in 2020

1. At H1'20 we guided to a reduction in NWM RWAs to c.£32 billion by the end of 2020

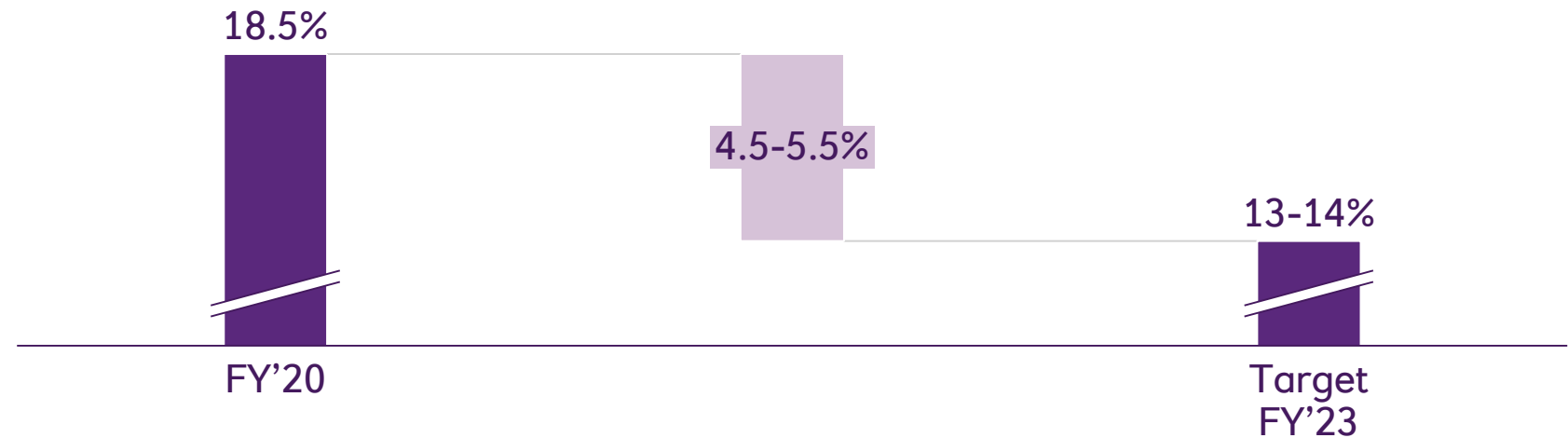


## Returning surplus capital to shareholders

NWG is a capital generative  
business that seeks to operate  
at a CET1 ratio of between  
13-14% by 2023

FY'20 proposed final dividend  
of 3 pence per share

### CET1 Capital Ratio



### NatWest Group capital distributions

- 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.

Strategic priorities will drive sustainable returns

NatWest Group is a relationship bank for a digital world.

Simplifying our business to improve customer experience, increase efficiency and reduce costs

Powering our strategy through innovation, partnership and digital transformation.

Deploying our capital effectively



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





**Katie Murray**

Chief Financial Officer

## 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.

£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.

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.

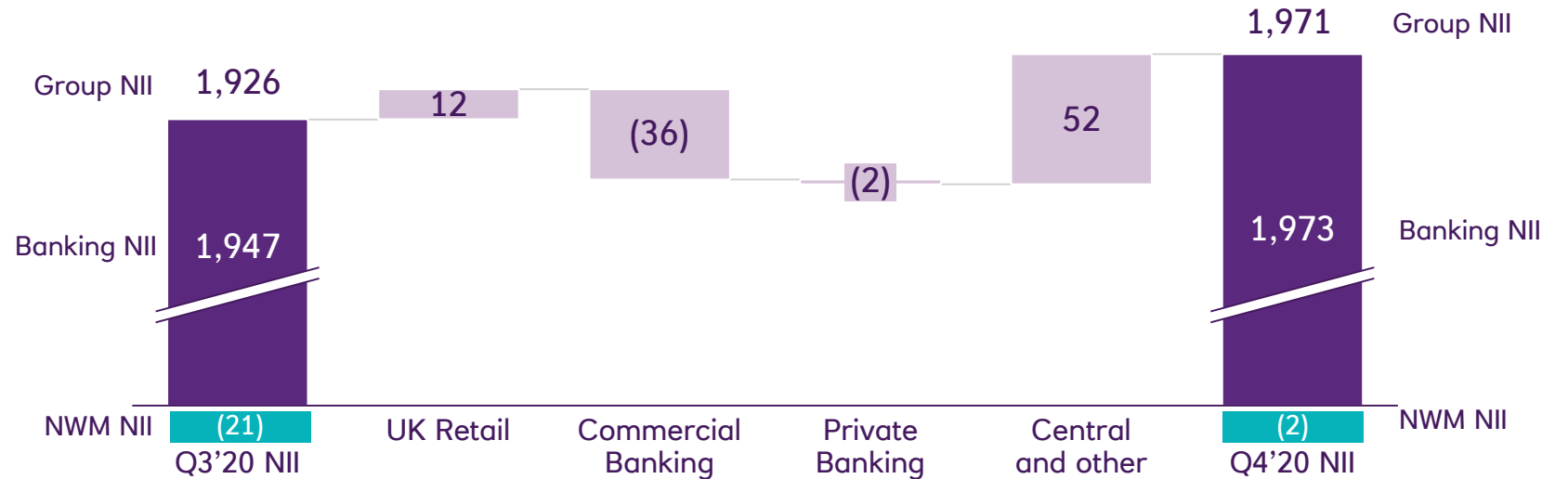
## Net interest income support from mortgage volumes and margins

Banking net interest income  
is up 1.3% over Q3'20  
reflecting strong mortgage  
growth and higher Bank NIM.

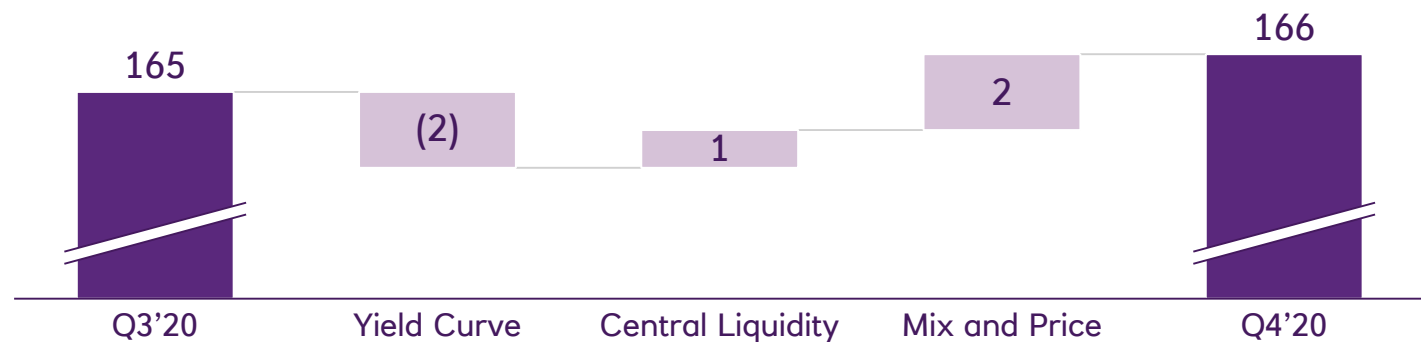
Bank NIM improved 1bps as  
the positive impact of pricing  
and mix more than offset the  
headwind from the structural  
hedge.

We expect income from the  
structural hedge to be  
c£0.3bn lower in 2021 than in  
2020, equivalent c.3bps per  
quarter impact on Bank NIM.

### Net Interest Income £m



### Bank Net Interest Margin<sup>1</sup> bps



469

Average Interest Earning Assets<sup>1</sup>, £bn

473

1. Bank net interest margin and Bank average interest earning assets exclude NWM from NatWest Group plc figures.

## NIM drivers: Q4'20 Group costs fall more than yields

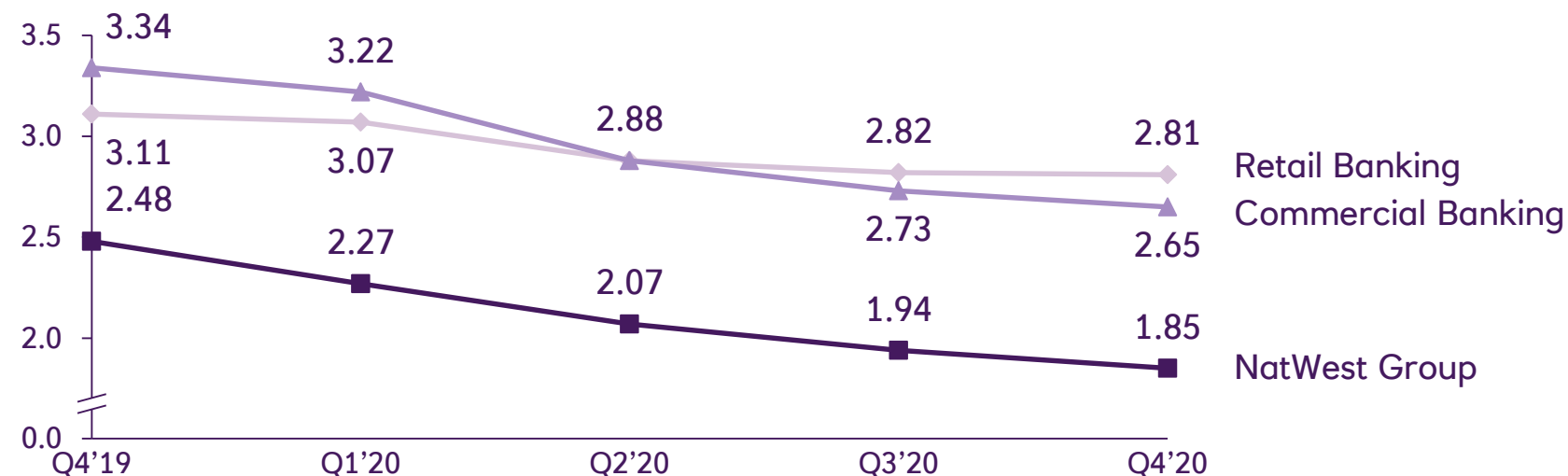
Gross asset yields reduced 9bps in Q4'20 to 1.85%. Funding costs reduced by 17bps to 0.5%, benefiting from the legacy debt repurchase in Q3.

Retail Banking loan yields stabilised in Q4'20 as mortgage margins<sup>3</sup> increased to 161bps above back book of 147bps.

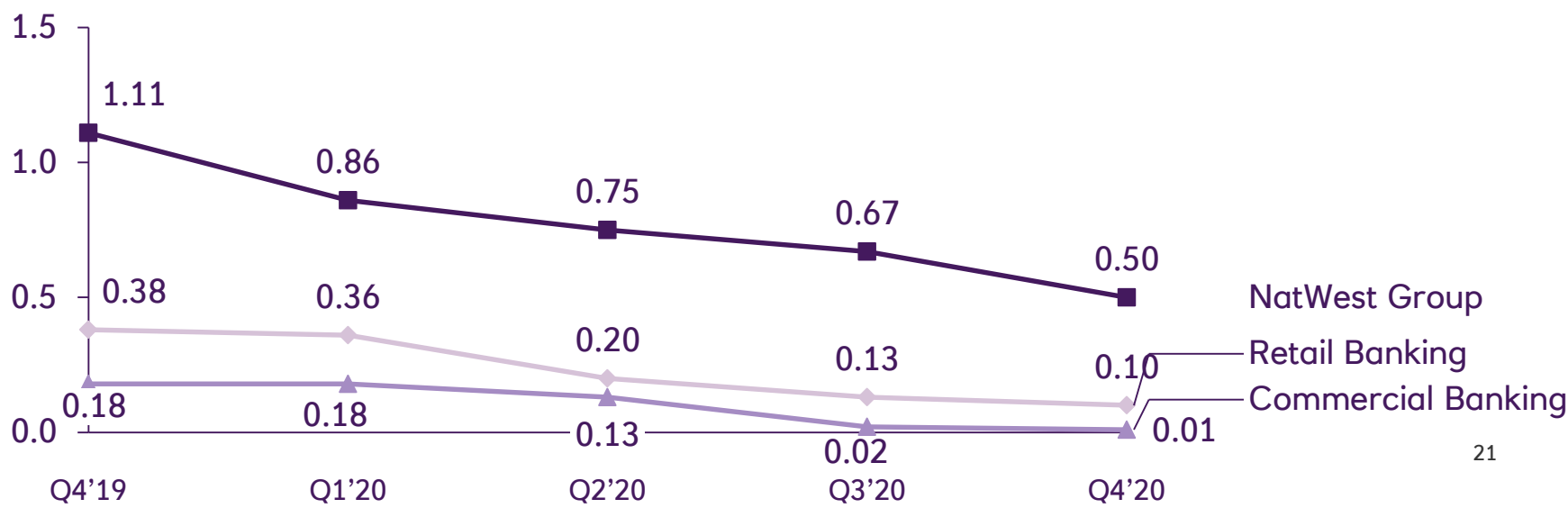
Commercial Banking loan yields were impacted by ongoing pass-through of lower interest rates.

1. For NatWest Group plc this is the gross yield on the IEAs of the banking business; for Retail and Commercial Banking it represents the third party customer asset rate.
2. For NatWest Group plc this is the cost of interest-bearing liabilities of the banking business; for Retail and Commercial Banking it represents the third party customer funding rate.
3. Mortgage margin is customer yield less market funding cost.

## Gross yields of interest earning banking assets, %<sup>1</sup>



## Costs of interest bearing banking liabilities, %<sup>2</sup>





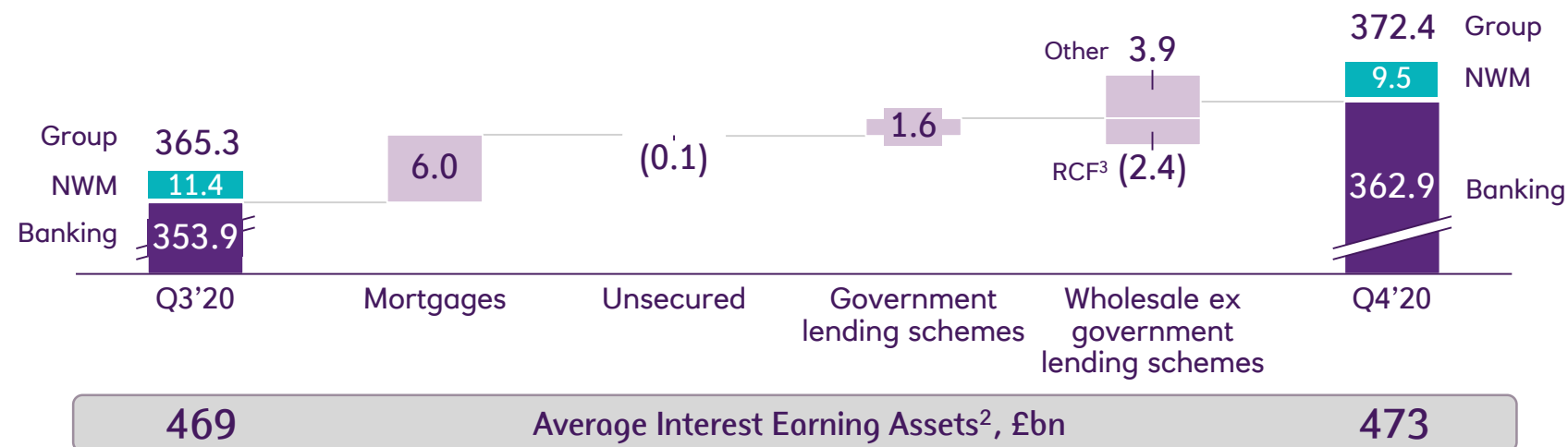
## Continued loan growth in Q4'20 – targeting growth above market

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.

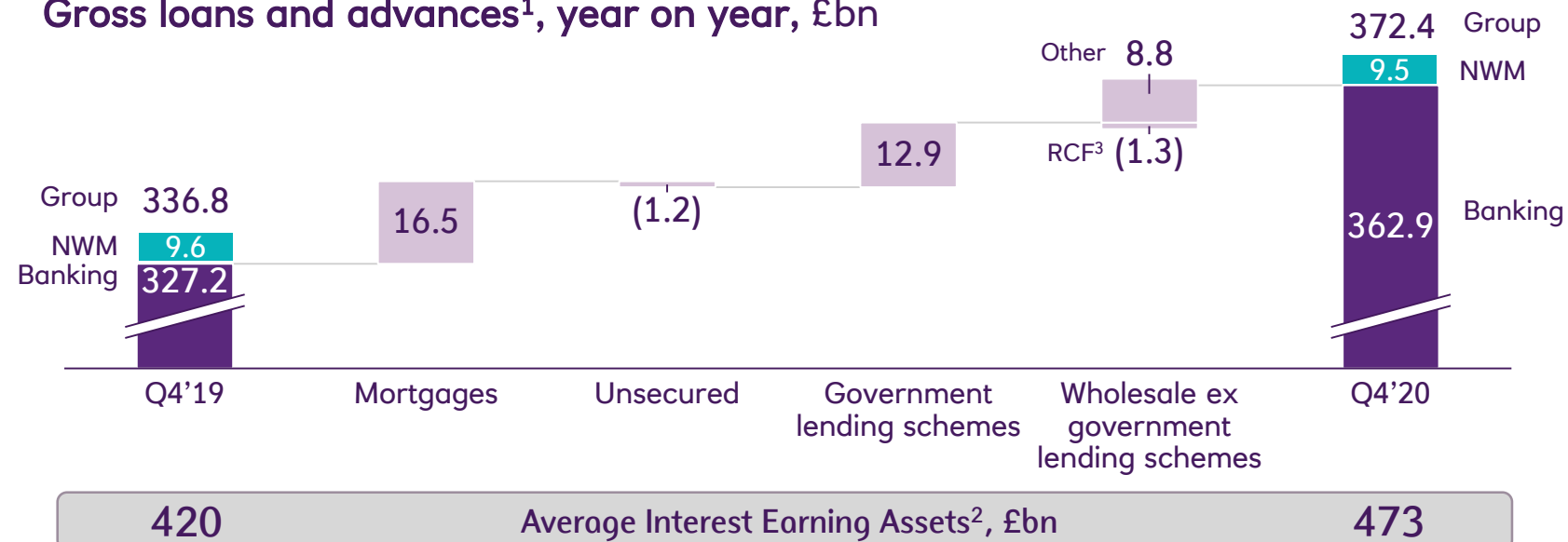
Unsecured loans were broadly stable in the quarter reflecting ongoing household deleveraging.

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.

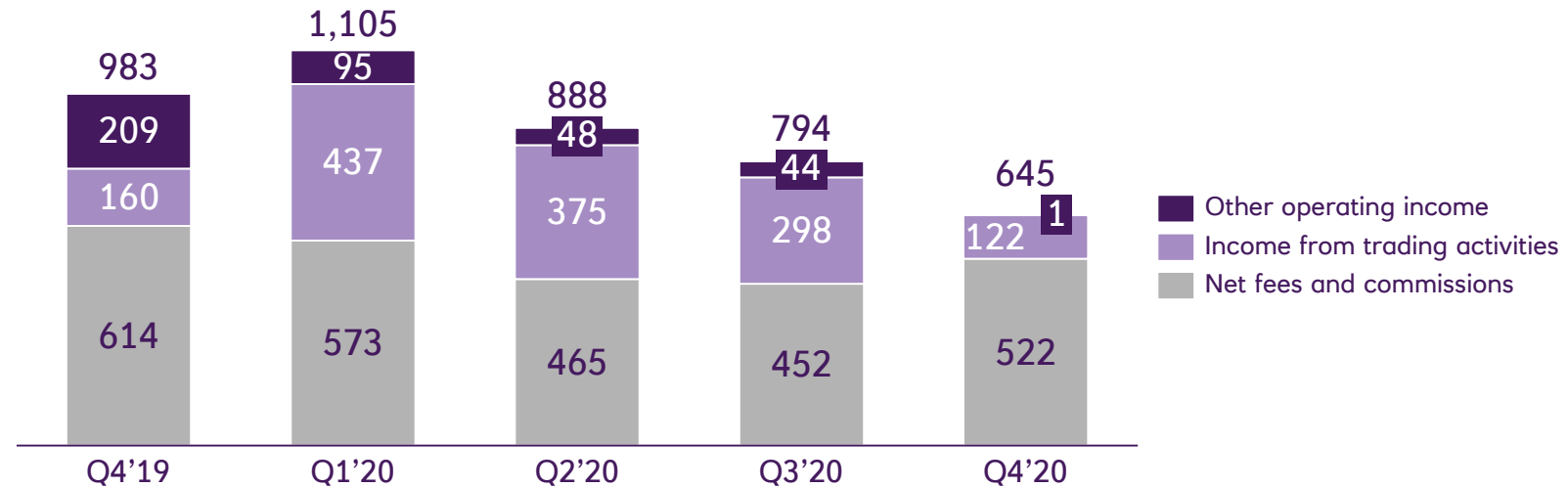
## Non interest income impacted by customer activity levels

Non-interest income<sup>1</sup> in Q4'20 is down 19% over the third quarter due to lower trading income.

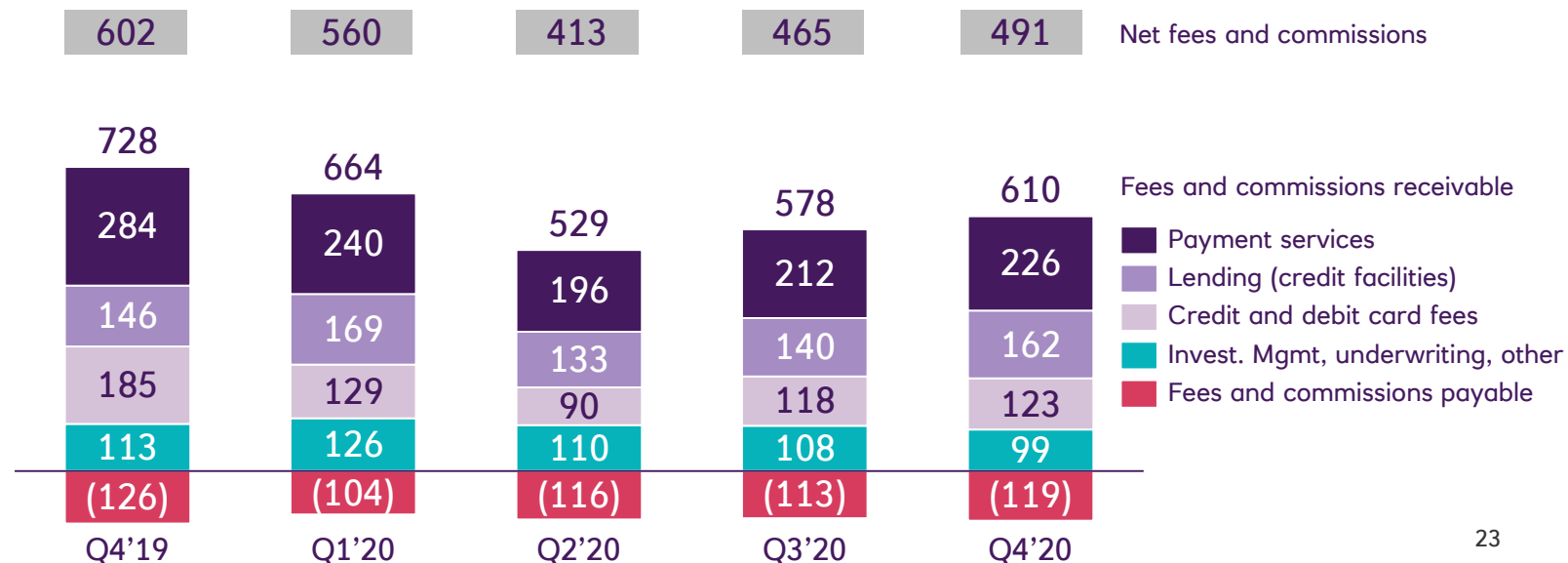
NatWest Markets income reflects lower activity as well as tight risk management.

Retail & Commercial businesses' fees<sup>2</sup> are up 6% over the third quarter supported by ongoing economic recovery.

### Non Interest Income<sup>1</sup> £m



### Retail & commercial Businesses' Fees and Commissions<sup>2</sup> £m



1. Excluding all notable items per slide 35.  
2. Excluding NatWest Markets and Central & Other.

## 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)

## 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

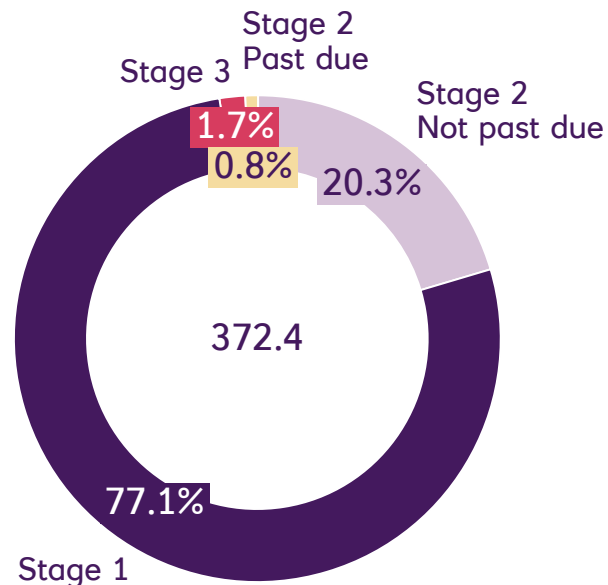
£6.4bn or 1.7% of group loans are in Stage 3, down from 1.9% at Q3'20.

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%.

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

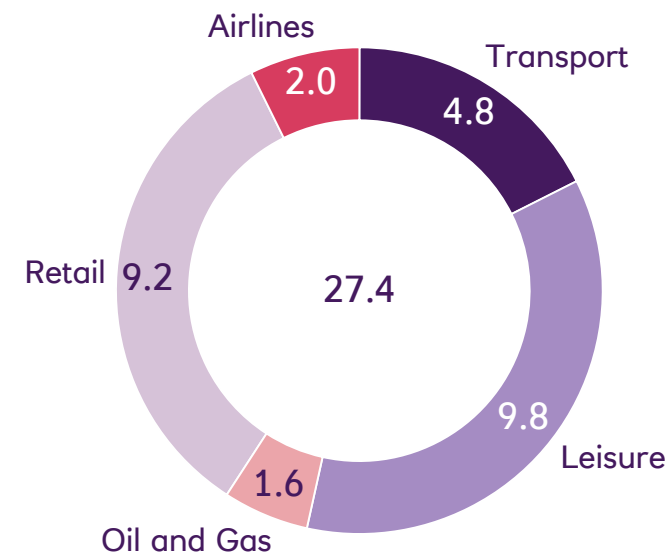


Staging of total loans and advances, Q4'20

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%

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.

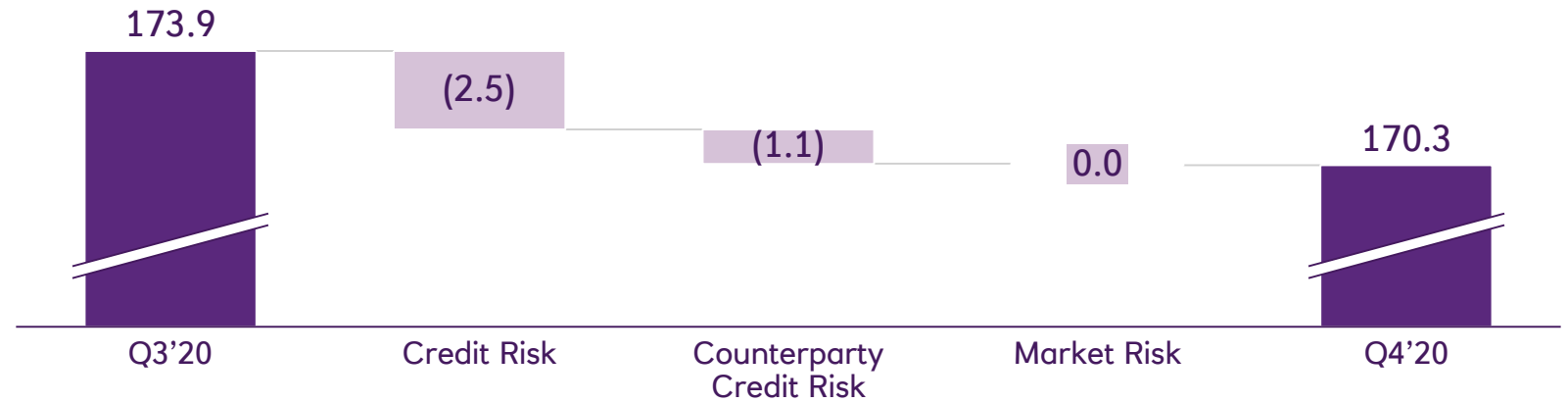
Robust balance sheet with strong capital & liquidity levels

## Robust capital position with limited procyclicality to date

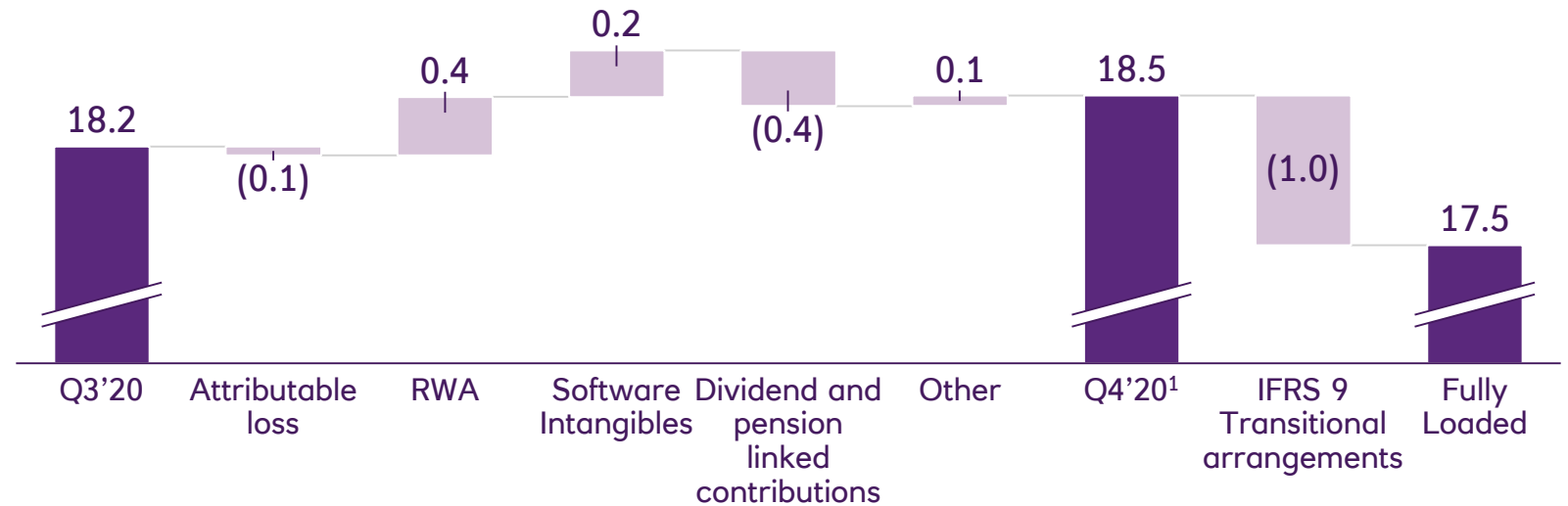
RWA reduction of £3.6bn in the quarter driven by NWM, which reduced by £3.1bn. Procyclicality for the group was a benefit of £0.5bn in Q4'20 and nil for FY'20, as positive Retail trends more than offset Commercial.

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.

### RWA, £bn



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



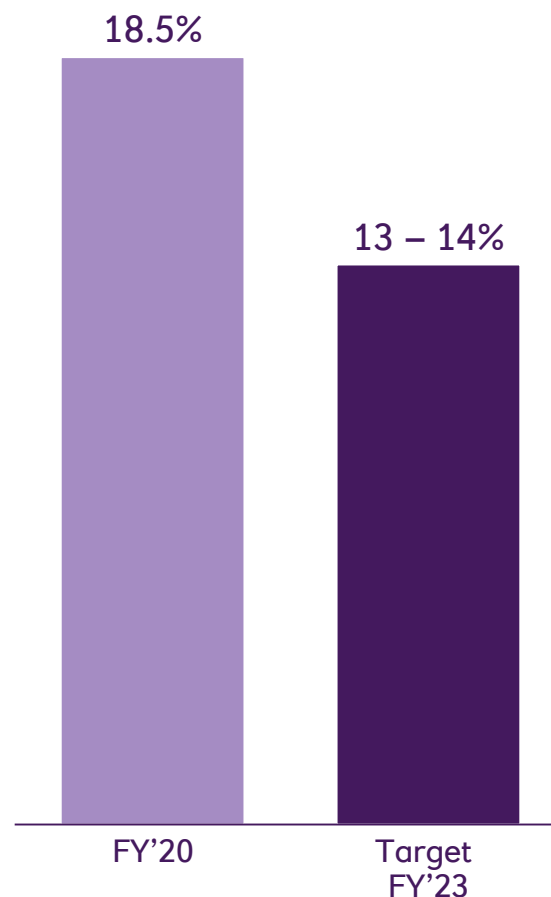
1. Including IFRS9 Transitional adjustment at 100% reducing to 75% in 2022.

2. May not cast due to rounding.

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>:

<b>Earnings</b>	We target an improvement in ROTE to 9-10% by FY'23
<b>Shareholder distributions</b>	We intend to distribute a minimum of £800m per annum through dividends while retaining capacity to participate in Direct Buy Backs.
<b>Dividend-linked pension contributions</b>	Further £1.1bn pre-tax accrual, with a maximum of £500m per annum.
<b>IFRS 9 unwind</b>	£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.
<b>Lending volumes</b>	RWA consumption is dependent on loan growth and mix
<b>NatWest Markets refocus</b>	In 2021 we expect to achieve the majority of the remaining RWA reduction towards the medium term target of £20bn
<b>RWA procyclicality</b>	We expect to incur inflation due to negative credit rating migration, timing is dependent on economic development
<b>Regulation</b>	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. 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.

1. This presentation contains forward-looking statements, please see Forward-Looking Statements on slide 38 and Outlook Statement on page 9 of NatWest Group plc FY'20 Company Announcement.

## Strong capital and liquidity positions provides flexibility

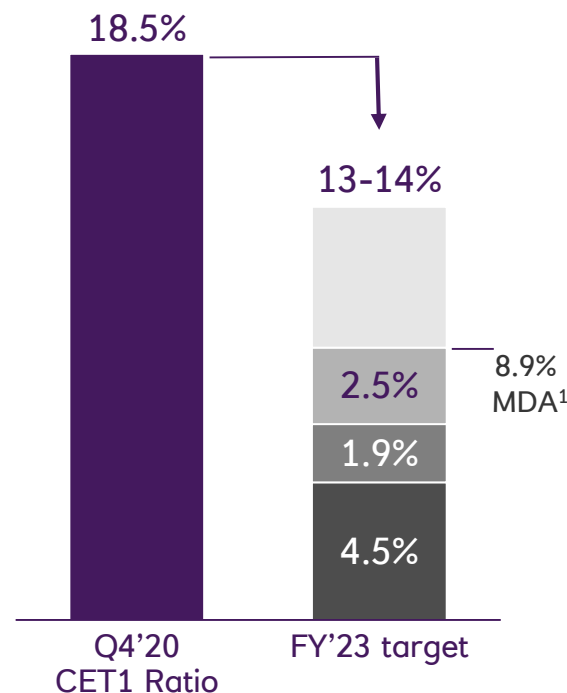
We have shaped a business that should operate at a CET1 ratio of between 13% to 14% by FY'23.

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.

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

**450-550bps**

c.£7.7-9.4bn of headroom in Q4'20

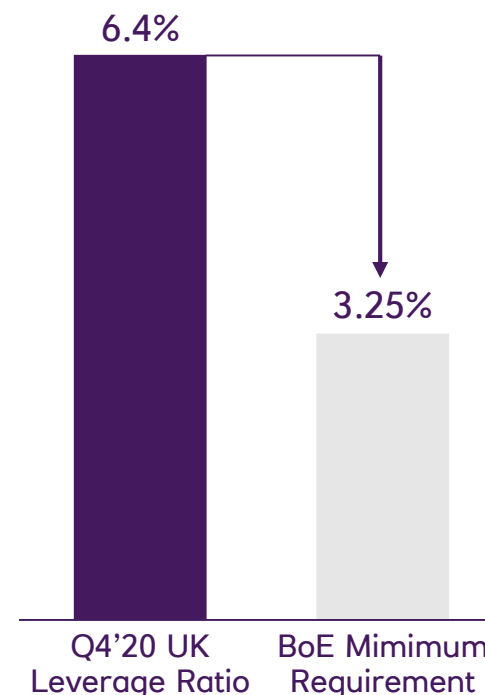


■ Capital ■ Pillar 2A<sup>3</sup>  
■ Buffer ■ Pillar 1

### Headroom above minimum UK leverage requirements

**315bps**

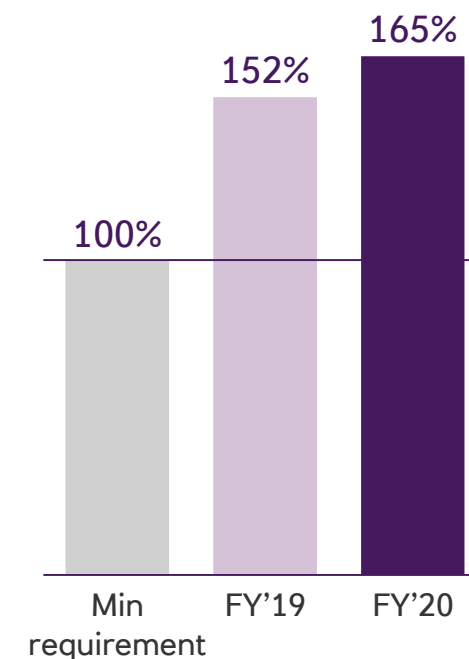
headroom above minimum requirements



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

**c.£72bn**

surplus liquidity over minimum requirement



1. Refer to detailed disclosure in FY'20 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. 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.



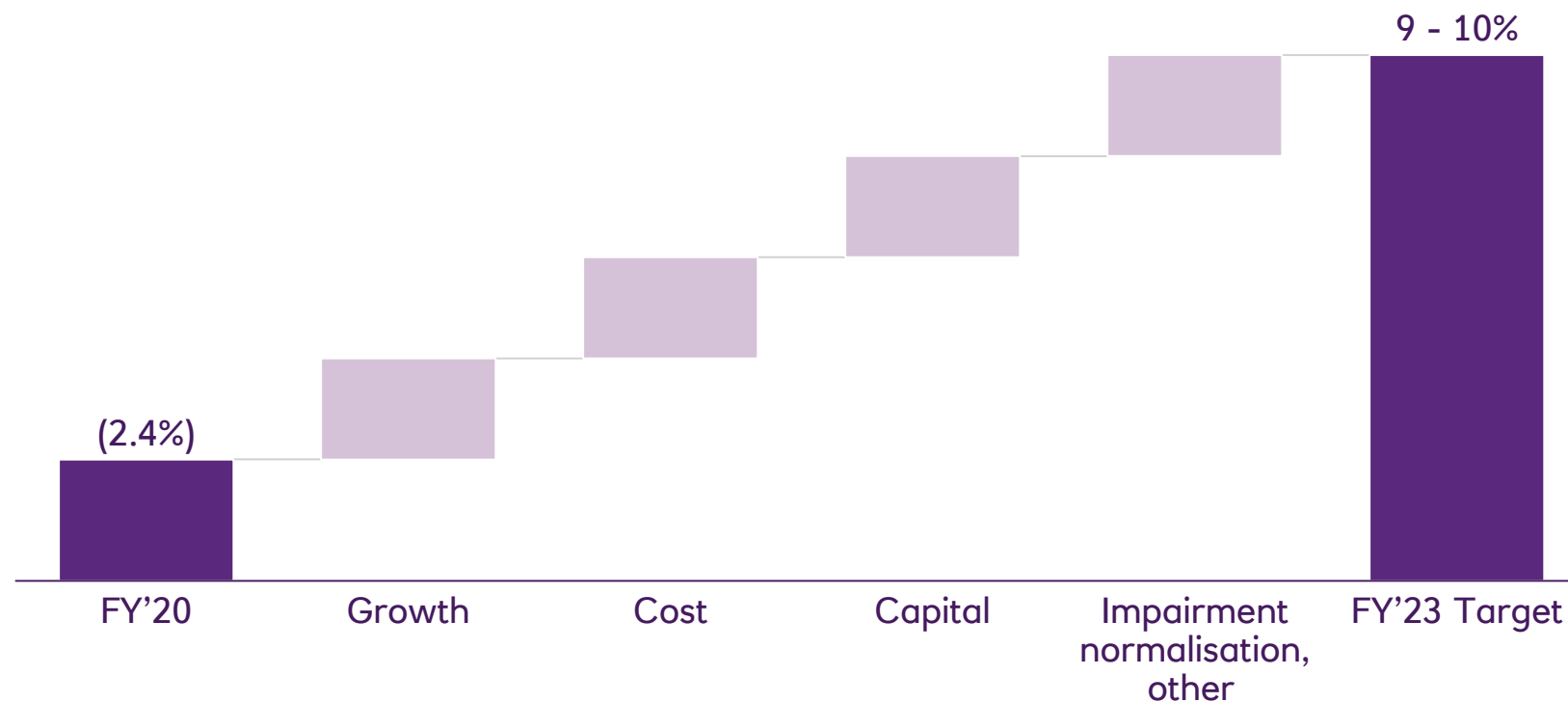
We expect to generate a  
ROTE of 9-10% by 2023.

Improvement in ROTE  
driven by:

1. Growth – we target loan growth above market through to 2023<sup>1</sup>;
2. Costs – we target c.4% per annum reduction in other expenses ex OLD through to 2023<sup>2</sup>; and
3. Capital – we target CET1 ratio of 13-14% by 2023.

## Return on Tangible Equity

Illustrative purposes only, not to scale



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



**Alison Rose**  
Chief Executive 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 from 2021 to 2023 via a combination of ordinary and special dividends**



# Appendix





# 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 38

# Notable items<sup>1</sup>

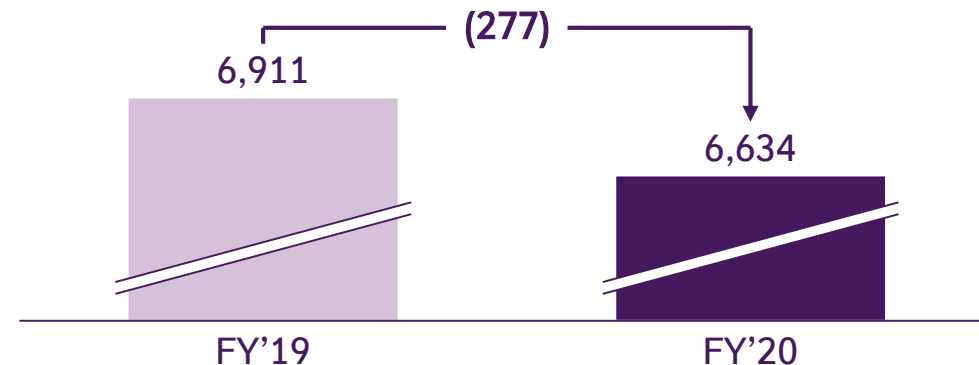
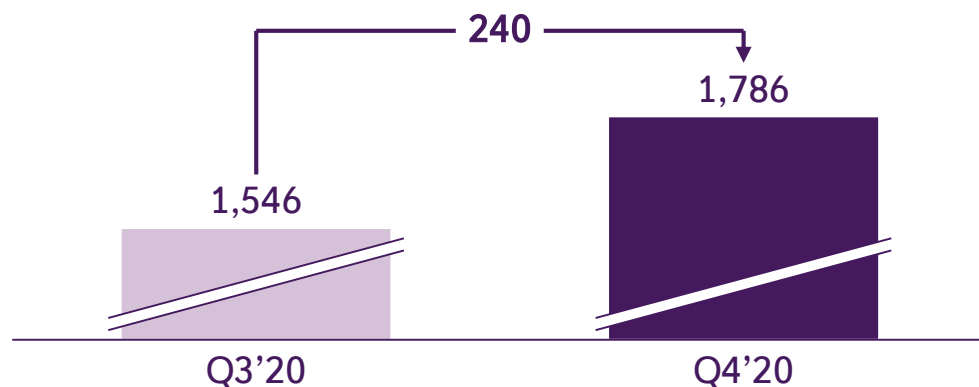
	Q1'19	Q2'19	Q3'19	Q4'19	FY'19	Q1'20	Q2'20	Q3'20	Q4'20	FY'20
Metro Bank mortgage portfolio acquisition loss	-	-	-	-	-	-	-	-	(58)	(58)
Alawwal bank merger gain in NatWest Markets	-	444	-	-	444	-	-	-	-	-
FX recycling (loss)/gain in Central items & other	-	290	-	1,169	1,459	(64)	(39)	64	(1)	(40)
Legacy liability release in Central items & other	-	256	-	-	256	-	-	-	-	-
Vocalink gain on disposal	-	45	-	-	45	-	-	-	-	-
IFRS volatility in Central items & other	(4)	21	(51)	43	9	(66)	55	49	45	83
Retail Banking Debt Sale Gain	2	-	16	31	49	-	3	4	1	8
FX (loss)/gain in Central items	20	-	2	(1)	21	-	-	-	-	-
Commercial Banking fair value and disposal (loss)/gain	(2)	(15)	-	1	(16)	(19)	8	1	(27)	(37)
NatWest Markets asset disposals/strategic risk reduction	(4)	(23)	(8)	-	(35)	-	(63)	(12)	(8)	(83)
Own Credit Adjustments (OCA)	(43)	(3)	(12)	(22)	(80)	155	(102)	(34)	(43)	(24)
Share of losses under equity accounting for Business Growth Fund	-	-	-	-	-	16	(1)	(46)	8	(22)
Liquidity Asset Bond sale gain/(loss)	10	1	(19)	(8)	(16)	93	17	1	2	113
Loss on redemption of own debt	-	-	-	-	-	-	-	(324)	-	(324)
<b>Notable Items in Total Income - Total</b>	<b>(21)</b>	<b>1,016</b>	<b>(72)</b>	<b>1,213</b>	<b>2,136</b>	<b>115</b>	<b>(122)</b>	<b>(297)</b>	<b>(81)</b>	<b>(384)</b>

Push payment fraud costs	-	(18)	(7)	(13)	(38)	-	-	-	-	-
Bank Levy	-	-	31	(165)	(134)	-	-	(11)	(156)	(167)
Strategic Costs	(195)	(434)	(215)	(537)	(1,381)	(131)	(333)	(223)	(326)	(1,013)
Litigation & Conduct	(5)	(55)	(750)	(85)	(895)	4	85	(8)	(194)	(113)
o/w US RMBS	-	7	162	-	169	-	-	-	-	-
o/w PPI	-	-	(900)	-	(900)	100	150	-	27	277
o/w Ulster Bank Rol	(1)	(19)	(1)	(1)	(22)	-	1	-	(8)	(7)
<b>Notable Items in Total Expenses – Total</b>	<b>(200)</b>	<b>(507)</b>	<b>(941)</b>	<b>(800)</b>	<b>(2,448)</b>	<b>(127)</b>	<b>(248)</b>	<b>(242)</b>	<b>(676)</b>	<b>(1,293)</b>

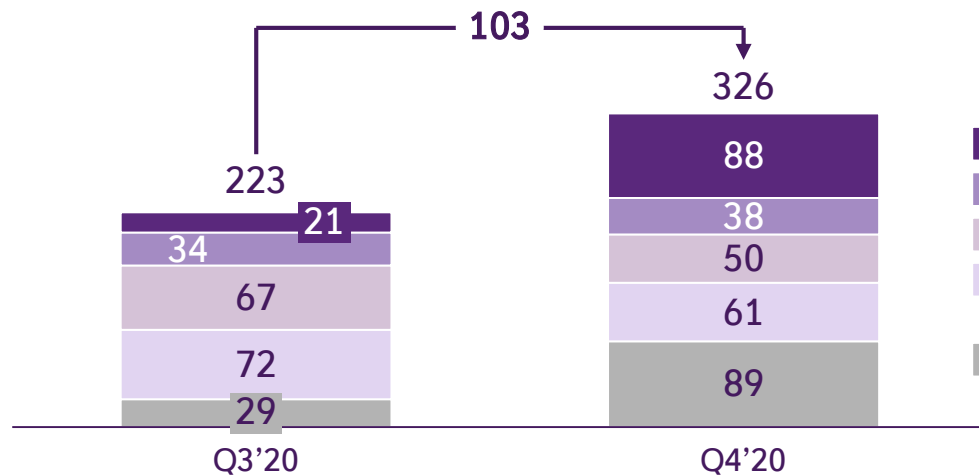
1. Materiality threshold applied to 2020 notable items. The analysis above includes items disclosed at FY'19, which may not now meet the materiality threshold for the ARA.

# Ongoing cost reduction in Q4'20

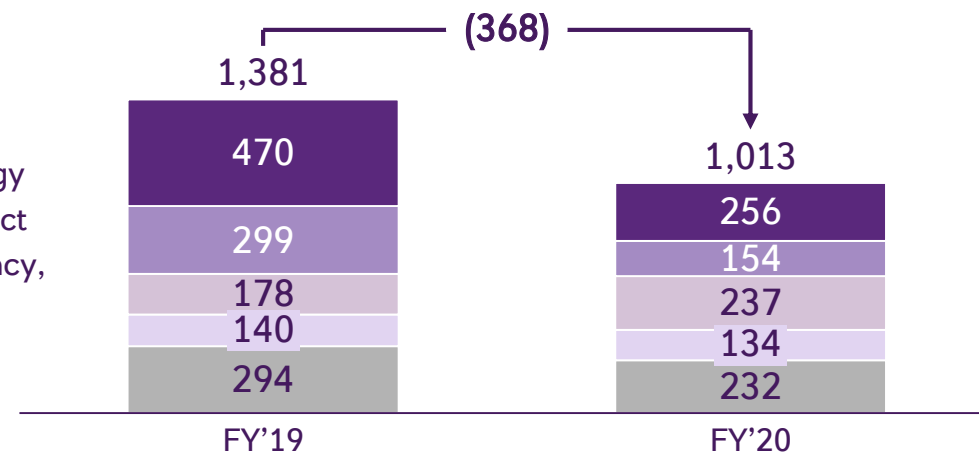
Other expenses ex Operating Lease Depreciation<sup>1</sup>, £m



Strategic costs, £m



Property  
Technology  
NWM direct  
Redundancy, ex. NWM  
Other

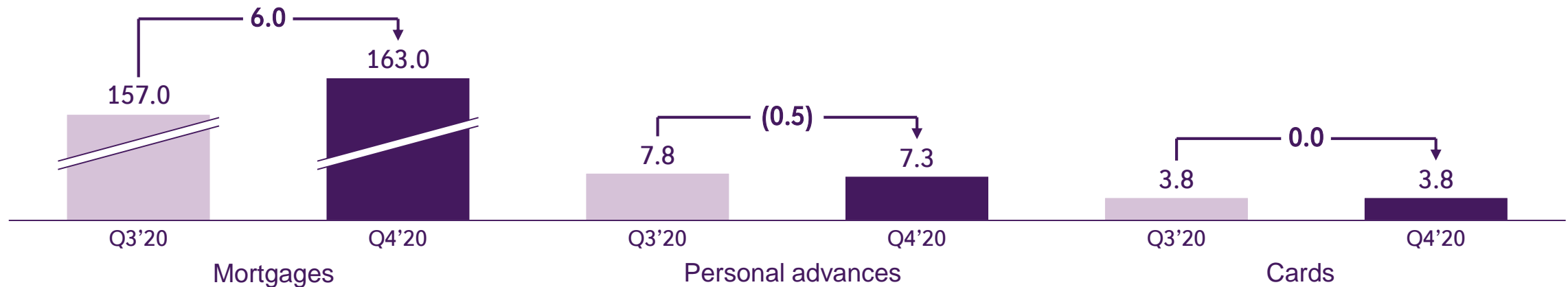


1. Operating Lease Depreciation £37m in Q3'20, £35m in Q4'20 £138m in FY'19 and £145m in FY'20.

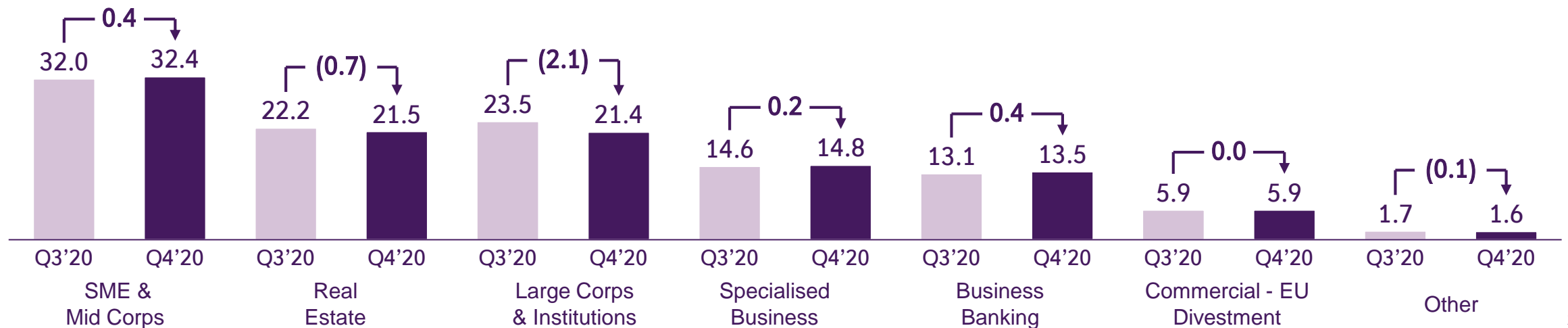
# Loan growth by product and sector

Total loans to customers (amortised cost), £bn

## Retail Banking



## Commercial Banking



## 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 adapt 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.