

# NatWest Group plc

# Investor Factbook

H1 Results 2023



NatWest  
Group

## Our purpose-led strategy is delivering

We will continue to build on our strategy, amplifying our approach in a number of growth areas.

### Sustainable medium term Group Targets

#### RoTE

Continue to target a sustainable RoTE of 14–16%

#### Cost:Income Ratio

Expect to deliver a cost:income ratio<sup>1</sup> <50%, excluding litigation and conduct costs, by 2025

#### Capital

Expect to continue to generate and return significant capital via ordinary dividends and buybacks to shareholders whilst operating with a CET1 ratio in the range of 13–14%

#### Payout

Expect to pay ordinary dividends of 40% of attributable profit and maintain capacity to participate in directed buybacks

1. Cost:Income ratio is total Group income and costs, excluding litigation and conduct.



## Strong H1 2023 performance

Strong earnings and returns

**£3.6bn**

Operating profit before tax vs £2.6bn in H1'22

**£2.3bn**

Attributable profit vs £1.9bn in H1'22

**18.2%**

Return on Tangible Equity vs 13.1% in H1'22

Focused on growth, efficiency and operating leverage

**£7.4bn**

Income ex notable items<sup>1</sup> + ~£1.5bn vs H1'22

**£3.8bn**

Other operating expenses + £323m<sup>2</sup> vs H1'22

**49.3%**

Cost to Income ratio<sup>3</sup> vs 56% in H1'22

Strong capital generation and £2.5bn distributions<sup>4</sup>

**£0.5bn**

Interim dividend announced 5.5p per share up from 3.5p for H1'22

**£1.8bn**

Buybacks £1.3bn DBB<sup>5</sup> and £500m new on-market buyback

**13.5%**

CET1 ratio vs 14.2% at FY'22, incl. £0.3bn accrual towards final dividend

1. Total income excluding notable items. 2. Of which ~£60m one-off cost of living payment 3. Cost:Income ratio is total costs, excluding litigation and conduct, divided by total income. 51.6% excluding income from notable items. 4. £2.5bn includes £1.8bn buybacks, £0.5bn interim dividend and £0.3bn accrual for final dividend, does not cast due to rounding. 5. Directed Buyback.

The guidance, targets, expectations and trends discussed in this document represent NatWest Group management's current expectations and are subject to change, including as a result of the factors described in the Risk Factors in the NWG 2022 Annual Report and Accounts, the Risk Factors in the NWM 2022 Annual Report and Accounts, and the Summary Risk Factors in each of the NWG H1 2023 IMS and the NWM H1 2023 IMS. These statements constitute forward-looking statements.

# Segmental summary

Ulster Bank ROI continuing operations are reflected within Central Items & other

Group Q2'23, £m	Retail Banking	Private Banking	Commercial & Institutional	Central items & other	Group
Net interest income	1,416	199	1,243	(34)	2,824
Non-interest income	100	72	552	303	1,027
<b>Total income</b>	<b>1,516</b>	<b>271</b>	<b>1,795</b>	<b>269</b>	<b>3,851</b>
<b>Income ex-notable items</b>	<b>1,516</b>	<b>271</b>	<b>1,792</b>	<b>(16)</b>	<b>3,563</b>
Other operating expenses	(650)	(159)	(934)	(132)	(1,875)
Litigation and conduct	(21)	(8)	(50)	27	(52)
<b>Operating expenses</b>	<b>(671)</b>	<b>(167)</b>	<b>(984)</b>	<b>(105)</b>	<b>(1,927)</b>
<b>Operating profit/(loss) before impairment releases/(losses)</b>	<b>845</b>	<b>104</b>	<b>811</b>	<b>164</b>	<b>1,924</b>
Impairment releases/(losses)	(79)	(3)	(64)	(7)	(153)
<b>Operating profit/(loss)</b>	<b>766</b>	<b>101</b>	<b>747</b>	<b>157</b>	<b>1,771</b>
<b>Ebn</b>					
Net loans to customers – amortised cost	204.4	19.1	129.2	21.2	373.9
Customer Deposits	183.1	36.5	201.5	11.4	432.5
RWA's	57.3	11.5	103.6	5.1	177.5
Return on equity / tangible equity	28.2%	20.8%	14.3%	n.m.	16.4%
Cost:income ratio	42.9%	58.7%	52.0%	n.m.	48.7%

Note: May not cast due to rounding.

## Our robust balance sheet enables us to support our customers, the economy and deliver shareholder value

Strong funding, deposits and liquidity profile

**83%**

Loan to Deposit Ratio<sup>1</sup>  
£55bn surplus deposits

**141%**

Liquidity Coverage Ratio  
£71bn headroom

**£148bn**

Primary liquidity

Diversified and high quality loan book; performing well

**<5%**

Commercial Real Estate  
as % of customer loans

**93%**

Personal lending secured  
Average mortgage LTV 55%

**12bps**

Loan impairment rate  
35% Stage 3 coverage

Supporting our customers and the economy

**10m**

Ambition for customers  
helped by 2027<sup>2</sup> to support  
their financial wellbeing

**£10m**

Cost of living donations  
to charities and strategic  
partners since H1'22

**£1bn**

Additional lending  
to UK manufacturing  
sector by the end of 2030<sup>3</sup>

1. Excludes repos and reverse repos. 2. NatWest set out its intent to help up to 10 million people in 2027 to manage their financial wellbeing and reach their financial goals through digital tools and personalised engagements, such as financial health checks. This will reflect an annual incremental approach starting with 6.5 million people in 2023 and increasing on annual basis between 2024 and 2027, to reach 10 million in 2027. 3. The £1bn Manufacturing fund lending package will be deployed through a variety of routes, including loans, asset finance and increased overdrafts.

**~£3.5bn investment spend 2023 – 2025**

Customer journey re-engineering  
to improve efficiency and  
customer experience

Accelerating adoption of AI  
to improve operating leverage  
and keep customers safe

Investing to deepen  
engagement and diversify  
future income streams

**Cost:Income ratio<sup>1</sup> <50% by 2025**

1. Cost:income ratio is total costs excluding litigation and conduct, divided by total income.

### 2023 GUIDANCE

Total Income  
**~£14.8bn<sup>1</sup>**  
**NIM: ~3.15%**

Other operating  
costs and C:I ratio<sup>2</sup>  
**~£7.6bn**  
**<52%**

Loan impairment rate  
**20-30bps**

RoTE  
**14-16%**

Distributions  
**Payout ratio 40%**  
**+ capacity for buybacks  
and inorganic  
opportunities<sup>3</sup>**

1. Total Income ex notable items. Assumes peak UK Base Rate of 5.50% from Q3'23. 2. Cost:income ratio is total costs excluding litigation and conduct, divided by total income. 3. considered if compelling shareholder value and strategic rationale.

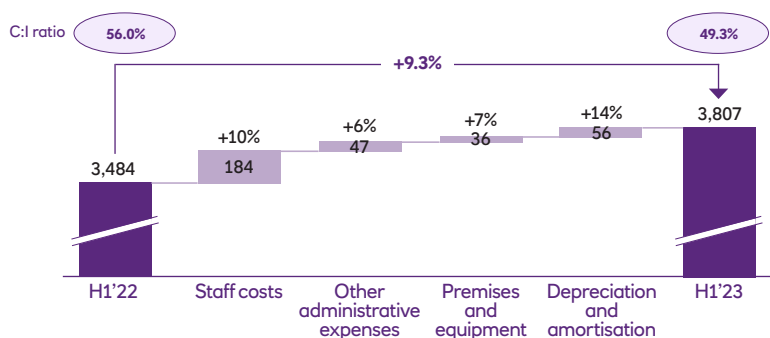
# Driving targeted growth across the Group

	Actions	Outcomes
Delivering personalised solutions across customers' lifecycles	<p>Focused on customer lifetime value to deliver targeted growth</p> <p>→</p>	<p>17.7%<sup>1</sup> leading start up share up from 13% at H1'22</p> <p>c.20% share of the youth market<sup>2</sup> up from 15.1% in H1'22. 93k new NatWest Rooster card holders in H1'23</p> <p>Wealth AUM Net New Money of c.£1bn in H1'23<sup>3</sup></p>
Supporting customers' sustainability transitions	<p>Increasing Green Financing, targeting £100bn CSFF<sup>4</sup> between 1 July 2021 and the end of 2025</p> <p>→</p>	<p>H1 contribution of £16bn against CSFF target</p> <p>£48.6bn contribution since July'21</p>
Embedding our services in our customers' digital lives	<p>Scaling our digital and payment offering for business customers</p> <p>→</p> <p>Launched whole of market credit card offering</p>	<p>c.17k new Mettle Accounts in H1'23</p> <p>£2.2bn transactions processed by Tyl in H1'23, 64% increase Year on Year</p> <p>9.6% credit card flow<sup>5</sup> share up from 5.7% at H1'22</p>

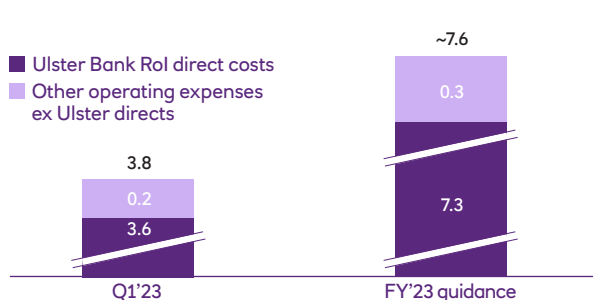
1. Based on the % of 771 businesses, less than 2 years old, that name a NatWest Group brand as their main bank. Compared to other banks with a presence on the high street. Source: MarketVue Business Banking from Savanta at Q2 2023. Excludes those using personal bank accounts. 2. As at April 23 (latest available). Source: CACI – UK youth flow share max age 18, cash card and no overdraft plus Rooster 11+ overlay (12 months rolling). 3. Excluding acquisition of Cushon. 4. Climate and sustainable funding and financing. 5. Source: eBenchmarkers 3 month rolling average to end May.

## On track for ~£7.6bn other operating costs in FY'23

Other operating expenses H1'23 vs H1'22, £m



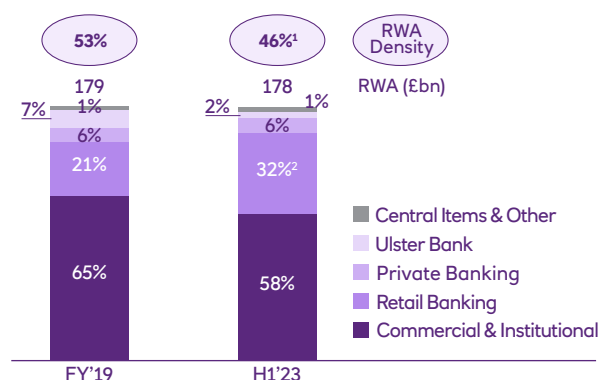
Progress versus cost guidance, £bn



## Effective capital allocation with significant distributions

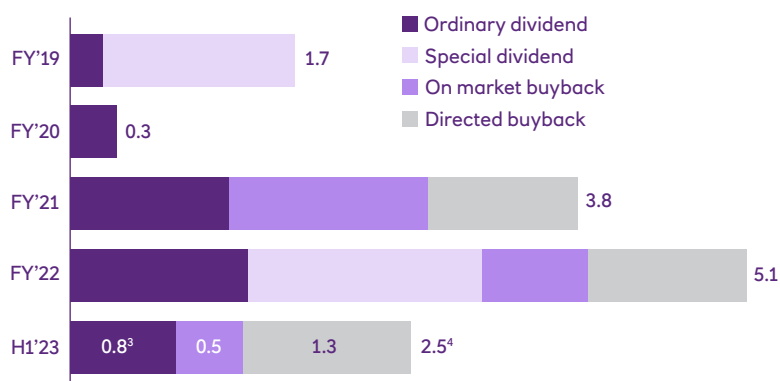
We have improved capital allocation towards the higher returning businesses

RWAs, £ billion



£13.5bn<sup>3</sup> shareholder distributions 2019-H1'23

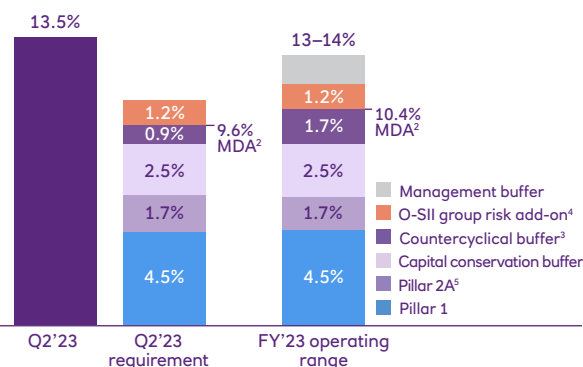
Paid and accrued, £ billion



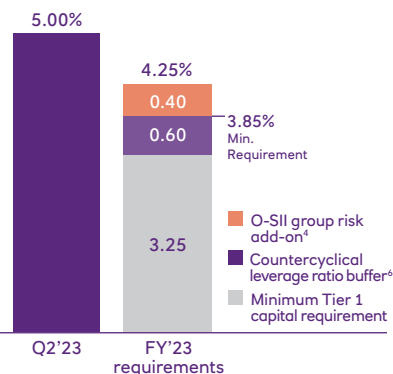
1. RWA density calculated as total RWAs divided by Gross Loans (incl. Disposal groups) minus ECL provision. 2. 6ppt of the 11ppt increase is driven by regulatory model increases implemented on 1st January 2022. 3. Includes £0.3bn accrual for final dividend 2023, will not cast due to rounding 4. Does not cast due to rounding 5. 38.6% as per RNS 22 May 2023.

# Strong capital and leverage positions provide confidence and flexibility

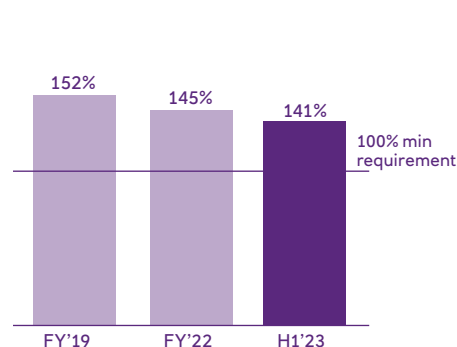
CET1 capital (% RWA)<sup>1,2</sup>



UK leverage ratio (Tier 1 capital as % leverage exposure)



Liquidity coverage ratio (LCR) as at Q2'23 Headroom of £45.3bn



1. Operating range in 2023 reflects medium term CET1 of 13-14. 2. Based on assumption of static regulatory capital requirement. 3. Countercyclical buffer - The UK CCyB rate increased from 0% to 1% effective from 13 December 2022. A further increase from 1% to 2% was announced on 5 July 2022, effective 5 July 2023. 4. O-SII buffer of 1.5% applies to the ring-fenced bank holding company. The equivalent O-SII Group Risk Add-on is ~1.2%. The O-SII Group Risk Add-on is included in the Group's minimum supervisory minimum. 5. Pillar 2A requirements are expected to vary over time and are subject to at least annual review. 56.25% of the total Pillar 2A requirement must be met from CET1 capital. 6. The countercyclical leverage ratio buffer is set at 35% of NatWest Group's CCyB. As noted above the UK CCyB is anticipated to increase from 1% to 2% from 5 July 2023. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions.

Credit ratings <sup>1</sup>	Moody's	S&P	Fitch
<b>Group holding company</b>			
NatWest Group plc	A3/Sta	BBB+/Sta	A/Sta
<b>Ring-fenced bank operating companies</b>			
NatWest Bank Plc	A1/Sta*	A+/Sta	A+/Sta
NatWest Bank Europe GMBH	NR	A+/Sta	A+/Sta
Royal Bank of Scotland plc	A1/Sta*	A+/Sta	A+/Sta
Ulster Bank Ireland DAC	A1/Sta*	A/Sta	BBB+/Sta
<b>Non ring-fenced bank operating companies</b>			
NatWest Markets Plc	A1/Sta	A/Sta	A+/Sta
NatWest Markets N.V.	A1/Sta	A/Sta	A+/Sta
NatWest Markets Securities Inc	NR	A/Sta	A/Sta
RBSI Ltd	A1/Sta*	A/Sta	A/Sta

1. Long-term ratings (Senior Unsecured Debt and/or Deposit Ratings for Moody's, Issuer Credit Rating for S&P, Long-Term Issuer Default Rating for Fitch). Ratings as of 28/07/2023. \* Moody's long-term Deposit Rating. The ring-fenced bank operating companies do not issue rated senior unsecured debt. Nevertheless Moody's assign an Issuer Rating and the outlook was changed to Negative from Stable on 25/10/22 after the Moody's UK Sovereign Rating outlook was changed to Negative from Stable.

ESG Rating <sup>1</sup>	Scale:	2019:	2020:	2021:	December 2022
MSCI	AAA to CCC	BBB	▲ AA	AA	AA

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## Legal entity issuing structure

## Investors

Issues external AT1, T2, MREL Senior

