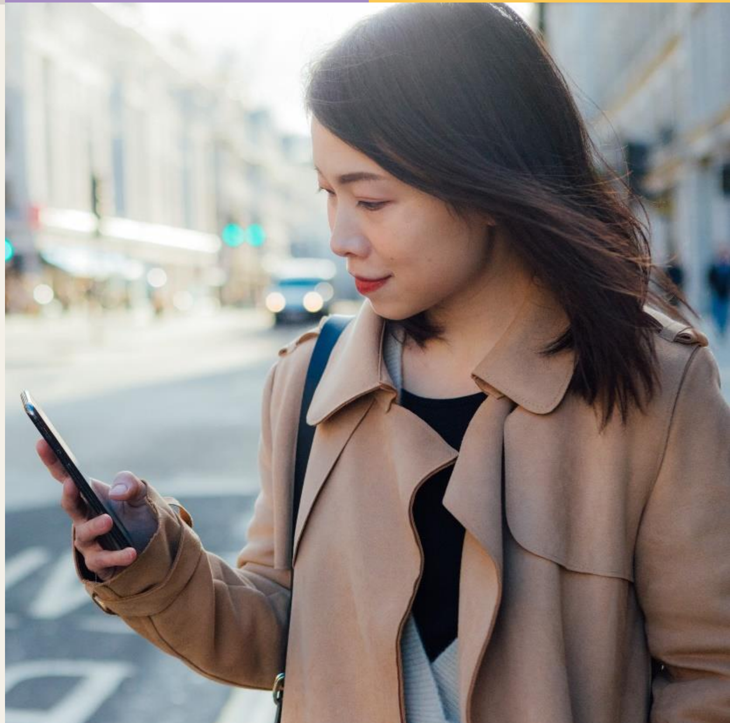
NatWest Group

# Q1 2021
# Results



29th April 2021

**Alison Rose**

Chief Executive Officer

# Q1’21 results highlights

Good Q1’21 operating performance

Supporting our customers; strong net lending growth

Further cost reduction achieved in Q1

Impairments: small release reflects good book releases and government support mitigating level of defaults

Strong capital base and liquidity position

£1.1bn directed buy back completed

**£844m**

**Operating profit before impairments in Q1’21,** down from £1,321m in Q1’20

**£102m**

**Impairment release in Q1’21**
11bps of customer loans

**£620m**

**Attributable profit in Q1’21,** compared to £288m at Q1’20

**£2.2bn**

**Net Lending Growth in Q1’21,** up 3% on Q4’20 on an annualised basis[1]

**£72m**

**Cost reduction in Q1’21[2] vs. Q1’20**

**18.2%**

**Q1’21 CET1 Capital Ratio**
Down 30bps on Q4’20

Includes c.100bps of IFRS 9 transitional relief

1. Net lending to customers across the UK and RBSI retail and commercial businesses, excluding UK Government lending schemes
2. Other expenses, excluding OLD and Ulster Bank RoI direct costs

## Strategic priorities will drive sustainable returns

Our Purpose led strategy will drive sustainable returns for shareholders

Strategic priorities delivered through:

Sustainable growth with an intelligent approach to risk

Simplification and cost efficiency

Portfolio discipline and effective deployment of capital

# Supporting our customers through the recovery

Debit and credit card spending improving from February

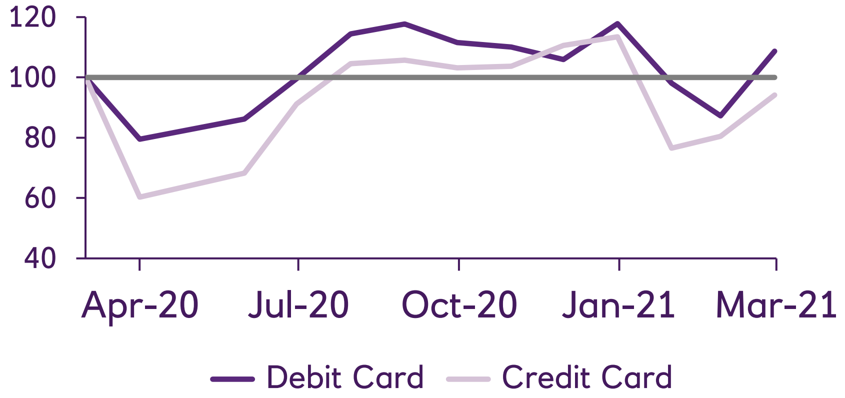
Demand for personal loans and new credit cards accelerating over Q1

Strong and improving gross new mortgage lending

New Government schemes launched with moderate demand

## Debit & Credit card spending (1)

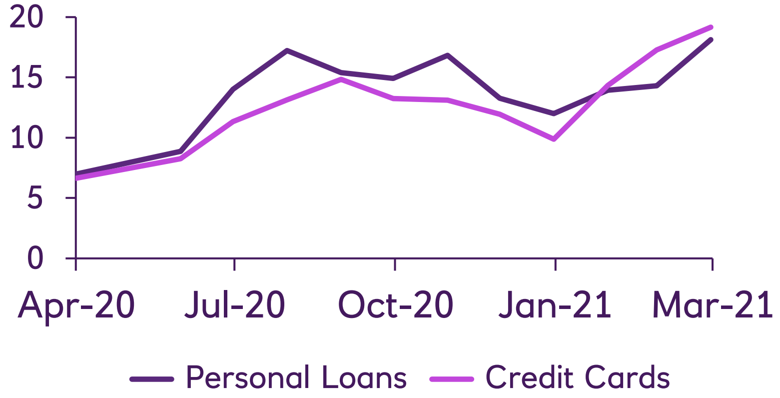
Monthly spend £bn (Rebased 100 = Mar'20)




- Apr-21 Credit and Debit Card spend ahead of average Q1'21 levels[5]

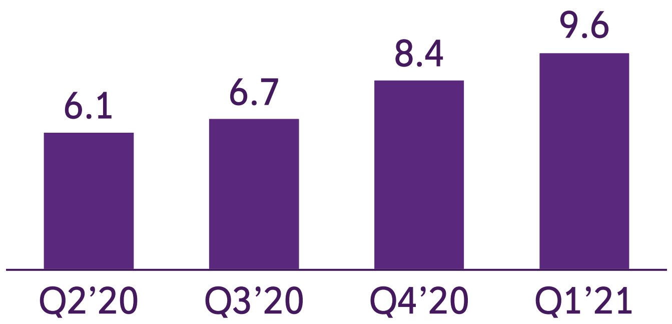
## Personal loan & Credit Card demand (1)

New Cards and Loans issued ('000)




## Strong mortgage demand in Q1, Retail Banking

Gross new mortgage lending (£bn)




## New Government Schemes

Pay As You Grow (BBLS)[2]

- c.105k accounts invited[3] to use the BBL Pay As You Grow portal
- c.14k applications to date

Recovery Loan Scheme[4]

- c.3k applications in the first week
- Now seeing c.100-150 applications per day

1. Data relates to Retail Banking
2. Data as at 26th April 2021
3. Payments commencing in 60 days or under
4. Data as at 23rd April 2021
5. Based off data to mid-April-21

# NatWest Group is a relationship bank for a digital world

Accelerating digital transformation to deliver income growth and drive cost efficiencies

61%[1] of retail customer base exclusively use digital channels to interact with us, compared to 58% at FY'20[2]

68%[6] of Commercial Banking sales via digital channels in Q1'21 compared to 67%[6] at FY'20

Cost reduction continued in Q1'21

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

### Video Banking

**c.13k**

**Typical weekly appointments in Q1'21**
compared to c.7k typical weekly appointments Q4'20[3]

### Mobile

**7.9m**

**Active Mobile Users in Q1'21**
up 2.6% on Q4'20[4]

### Artificial Intelligence

**3.0m**

**Cora Conversations in Q1'21**
up 11% on Q4'20[5]

**42% required no human intervention in Q1'21[3]**

### Online

**9.5m**

**Digitally Active Customers in Q1'21**
up 1% on Q4'20[4]

1. Based on March'21 monthly data
2. Based on December'20 monthly data
3. Across Retail Banking
4. Across Retail and Business Banking
5. Across Retail and Commercial Banking
6. Based on average yearly data

Actively managing capital

First directed buy back completed

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

Legacy capital stack managed to optimise regulatory efficiency

## CET1 Capital Ratio 18.2%, down 30bps on Q4'20

- Directed Share Buy Back of £1.1bn, 66bps impact on CET1 ratio

## NatWest Markets and Ulster Bank

- NatWest Markets RWAs now at £26.5bn, down £0.4bn on Q4'20
- Negotiations with AIB about the sale of Ulster Bank's portfolio of performing commercial loans ongoing

## Portfolio Sales and Synthetic Trades

- Commercial Banking: RWAs down £0.6bn due to active capital management

## Managing non-equity capital

- Repurchased c.£1.6bn of Tier 1 and Tier 2 capital securities, c.5bps of CET1 impact, c.£49m annual coupon savings

# Delivering against our targets to drive sustainable returns for shareholders

Strategic priorities delivered through:

- Sustainable growth with an intelligent approach to risk
- Simplification and cost efficiency
- Portfolio discipline and effective deployment of capital

**Growth: Targeting lending growth above market rate through to 2023[1]**

**3.0%**

**Annualised Net Lending Growth in Q1'21[1]**

Up £2.2bn vs Q4'20

**Cost: Targeting c.4% per annum reduction in other expenses[2]**

**4.5%**

**Cost reduction in Q1'21[2]**

£72m vs. Q1'20

**Capital: Target 13-14% CET1 Capital Ratio by FY'23**

**18.2%**

**Q1'21 CET1 Capital Ratio**

1. Net lending to customers across the UK and RBSI retail and commercial businesses, excluding UK Government lending schemes
2. Other expenses, excluding OLD and Ulster Bank RoI direct costs

**Katie Murray**
Chief Financial Officer

# Good Q1’21 operating performance

Income up 5% on Q4’20 driven by mortgages and seasonally higher NatWest Markets

Other expenses down 10% on Q4’20 driven by bank levy and ongoing net cost reduction

Impairment release reflects low level of defaults and small improvements in underlying credit metrics

| £m | Q1'21 | Q4'20 | Q1’20 | vs. Q4'20 | vs. Q1'20 |
|---|---|---|---|---|---|
| Net interest income | 1,931 | 1,971 | 1,942 | (2.0%) | (0.6%) |
| Non-interest income | 728 | 564 | 1,220 | 29% | (40%) |
| **Total income** | **2,659** | **2,535** | **3,162** | **4.9%** | **(15.9%)** |
| Other expenses | (1,639) | (1,821) | (1,714) | (10%) | (4%) |
| Strategic costs | (160) | (326) | (131) | (51%) | 22% |
| Litigation and conduct costs | (16) | (194) | 4 | n.m. | n.m. |
| **Operating expenses** | **(1,815)** | **(2,341)** | **(1,841)** | **(22%)** | **(1%)** |
| **Operating profit before impairments** | **844** | **194** | **1,321** | **335%** | **(36%)** |
| Impairment releases/ (losses) | 102 | (130) | (802) | (178%) | (113%) |
| **Operating profit** | **946** | **64** | **519** | **1378%** | **82%** |
| Tax | (233) | (84) | (188) | n.m. | 24% |
| **Attributable profit/ (loss)** | **620** | **(109)** | **288** | **(669%)** | **115%** |
| RoTE | 7.9% | (1.4%) | 3.6% | 9.3ppt | 4.3ppt |

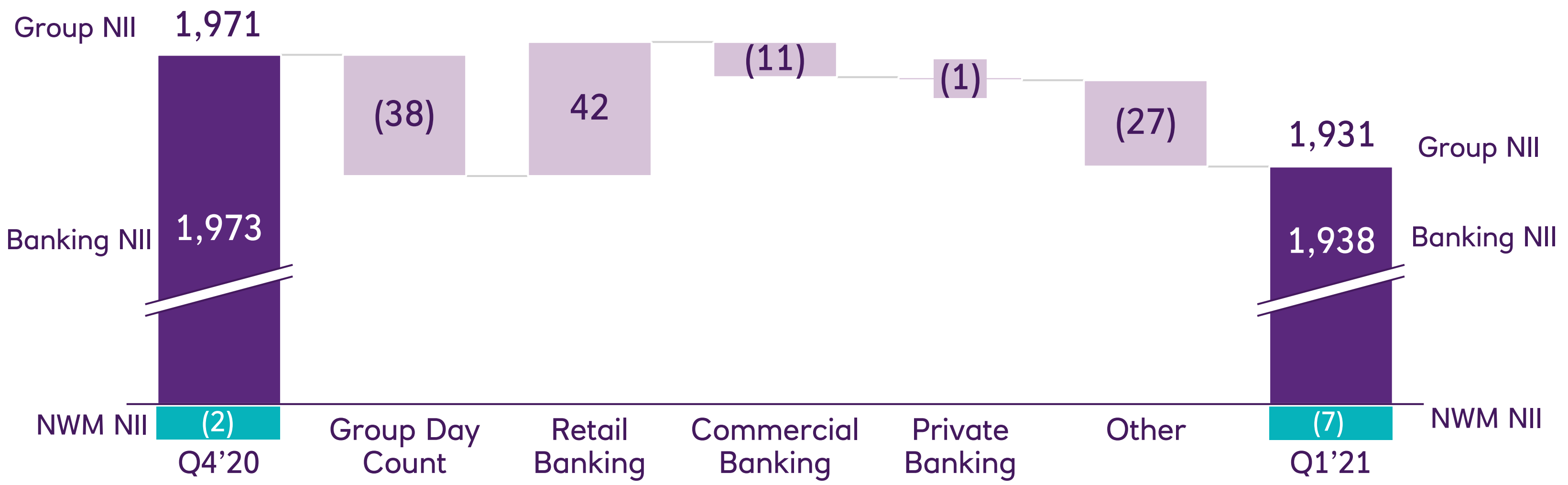
## Net interest income support from mortgage growth

## Banking net interest income stable in the quarter, excluding impact of lower day count

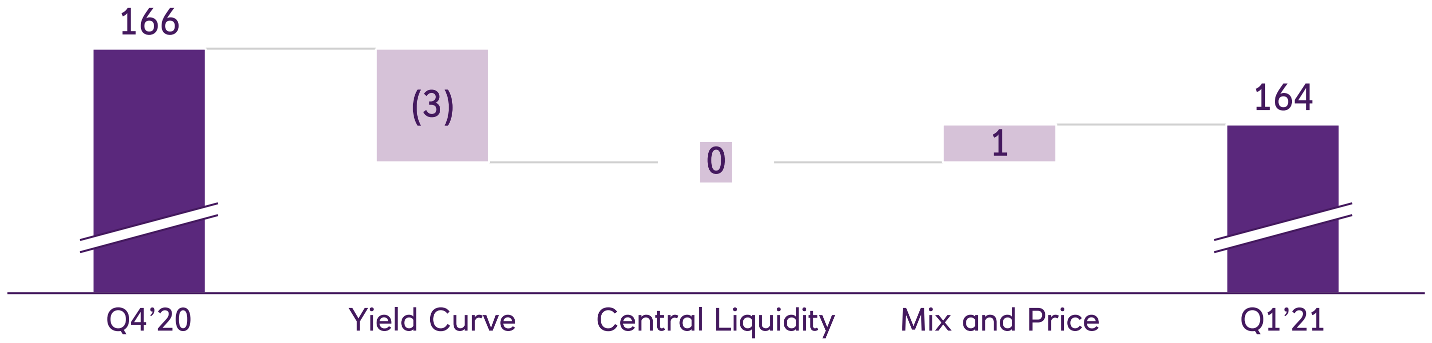
## Mortgage growth at wider margins supported Bank NIM (+1bp)

## Structural hedge impact of 3bps in Q1, in line with guidance

### Net Interest Income[2] £m




### Bank Net Interest Margin[1] bps




| 473 | Average Interest Earning Assets[1], £bn | 480 |
|---|---|---|

1. Bank net interest margin and Bank average interest earning assets exclude NWM from NatWest Group plc figures.
2. May not cost due to rounding

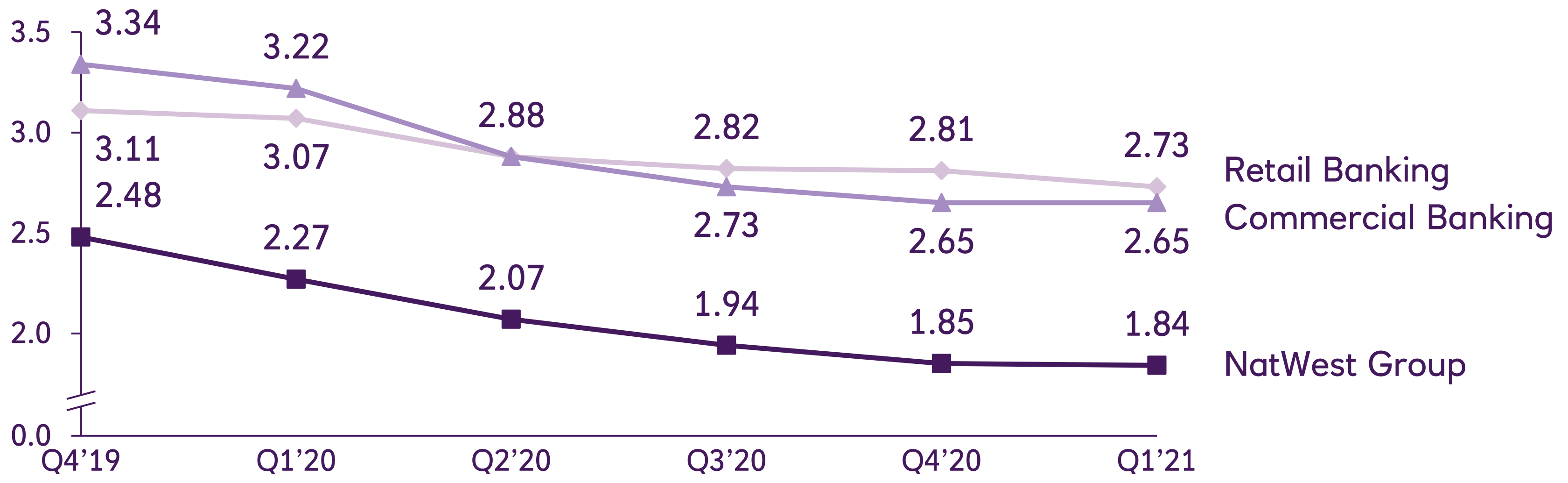
# NIM drivers: customer loan and deposit rates stabilising

Gross asset yields and funding costs broadly stable on Q4'20 to 1.84% and 0.49%, respectively

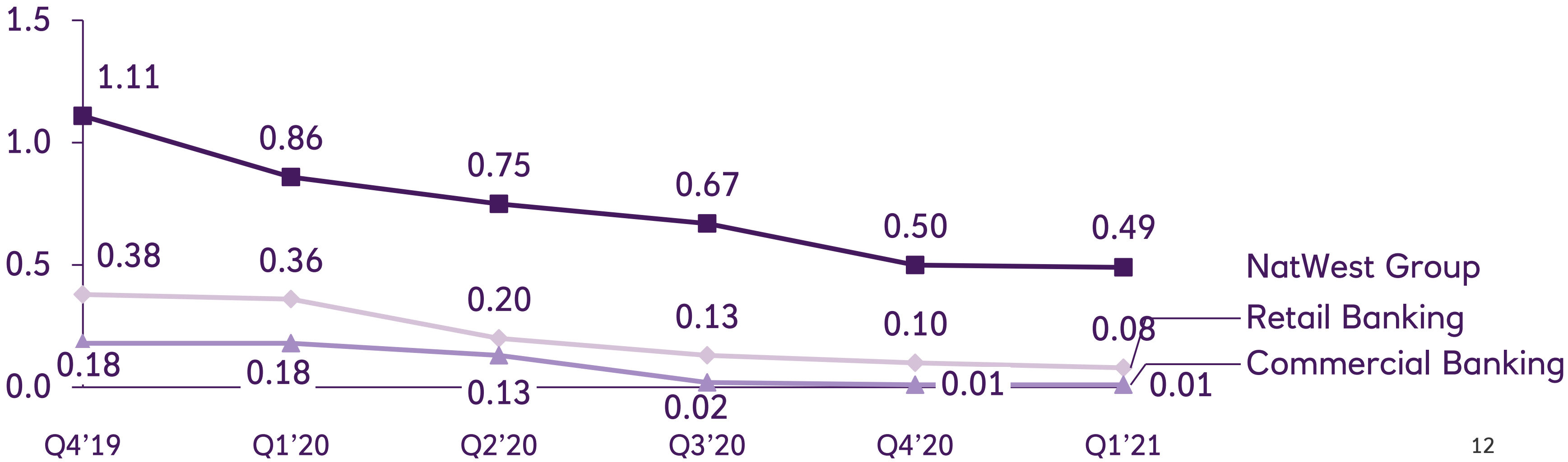
Retail Banking loan yield impacted by lower unsecured balances. Mortgage margin on back book up 12bps to 1.59%

Commercial loan and deposit rates stable

## Gross yields of interest earning banking assets, %[1]




## Costs of interest bearing banking liabilities, %[2]




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.

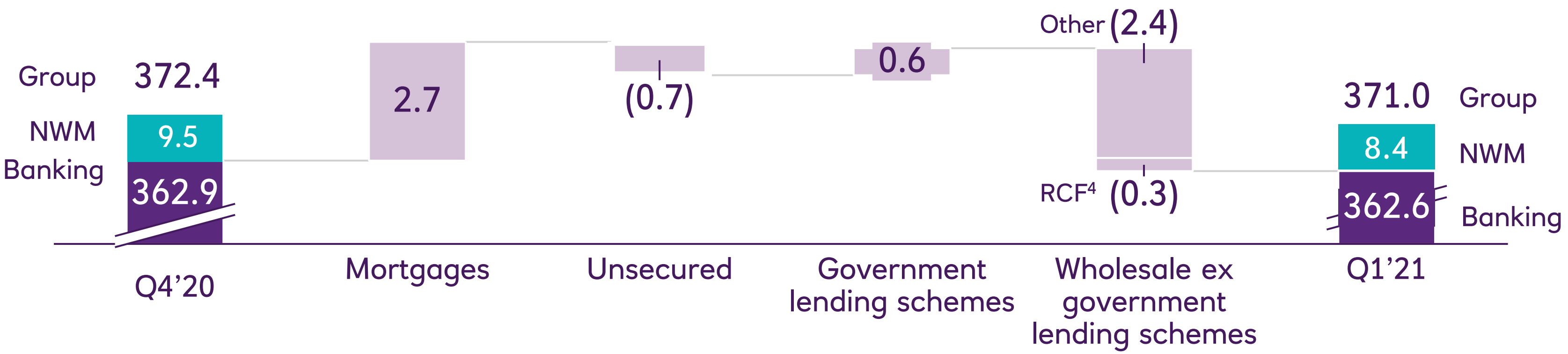
# Loan book stable in the quarter

Gross banking loans broadly stable in the quarter with £3.1bn growth across UK & RBSI Retail & Commercial businesses

Strong mortgage growth partly offset by ongoing unsecured credit repayment

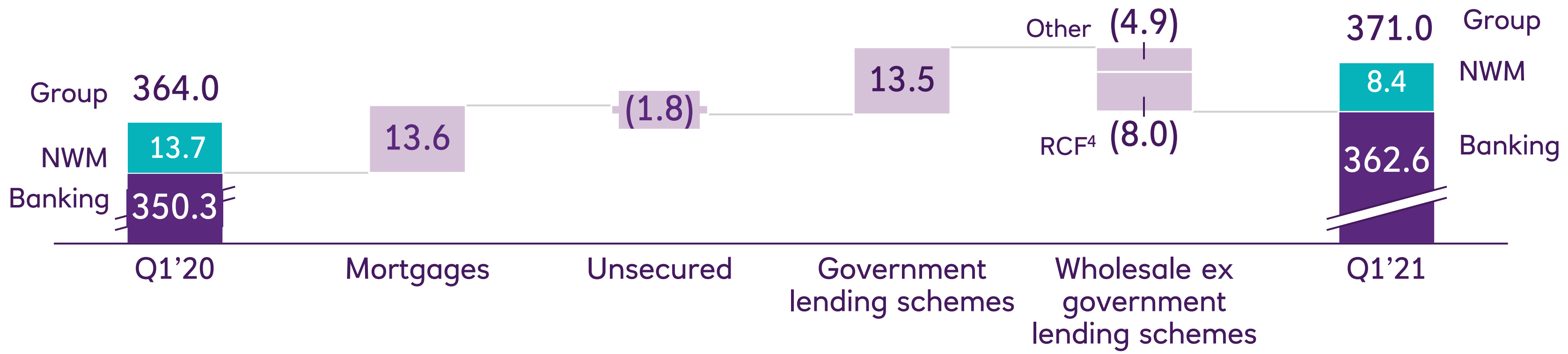
Government lending schemes offset by other commercial loan repayments

## Gross loans and advances[1,2], quarter on quarter, £bn




473 Average Interest Earning Assets[3], £bn 480

## Gross loans and advances[1,2], year on year, £bn




422 Average Interest Earning Assets[3], £bn 480

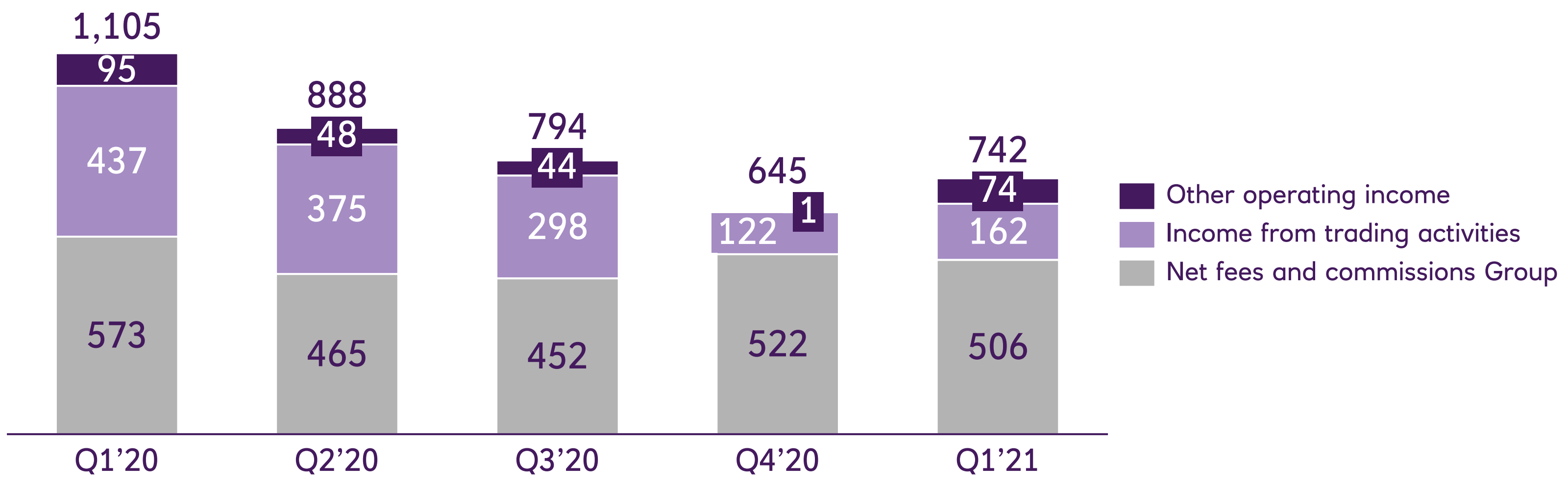
1. May not cast due to rounding
2. Loans – amortised cost and FVOCI, as detailed in the segment and sector analysis on page 15 and 17 of the NWG IMS Q1'21.
3. Bank average interest earning assets NatWest Group plc excluding NWM.
4. Revolving credit facilities for our Commercial Banking customers.

# Non interest income impacted by lockdown

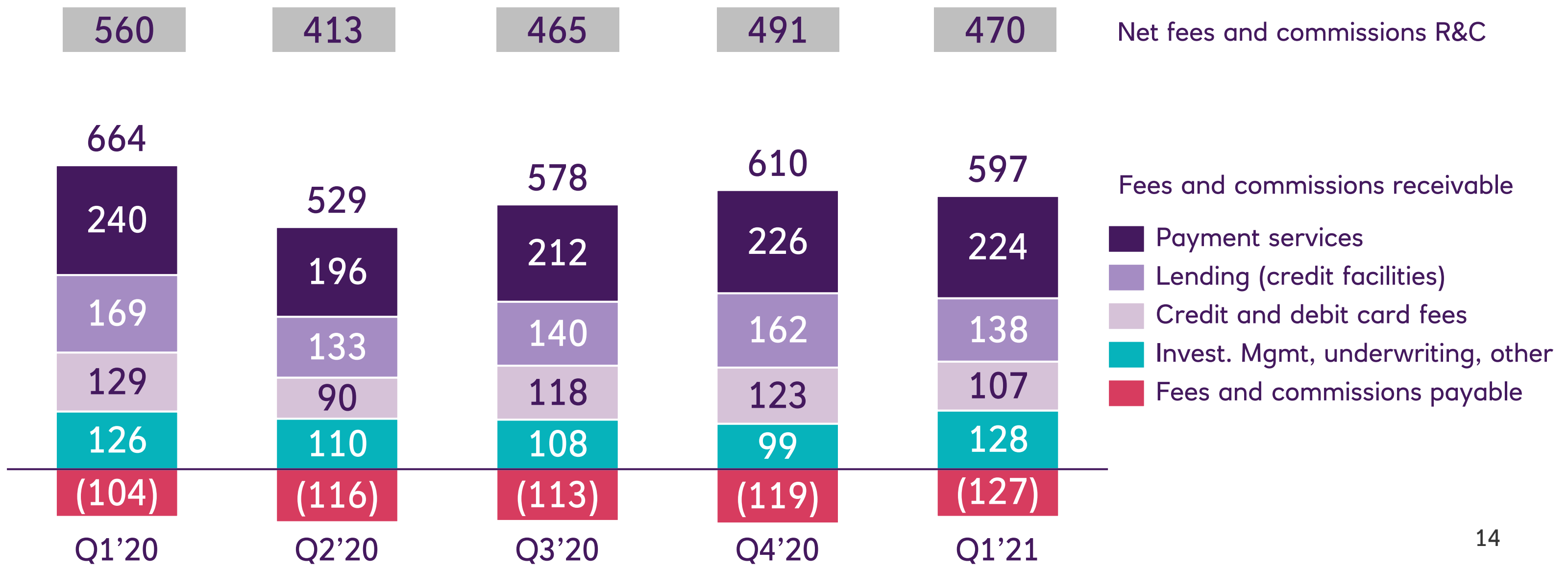
Income from trading activities up 33% over Q4'20 due to seasonally higher customer activity

Retail & Commercial net fees and commissions[2] 4.3% lower than Q4'20 due to lower card and lending fees, both impacted by the lockdown

## Non Interest Income[1] £m




## Retail & Commercial Businesses' Fees and Commissions[2] £m



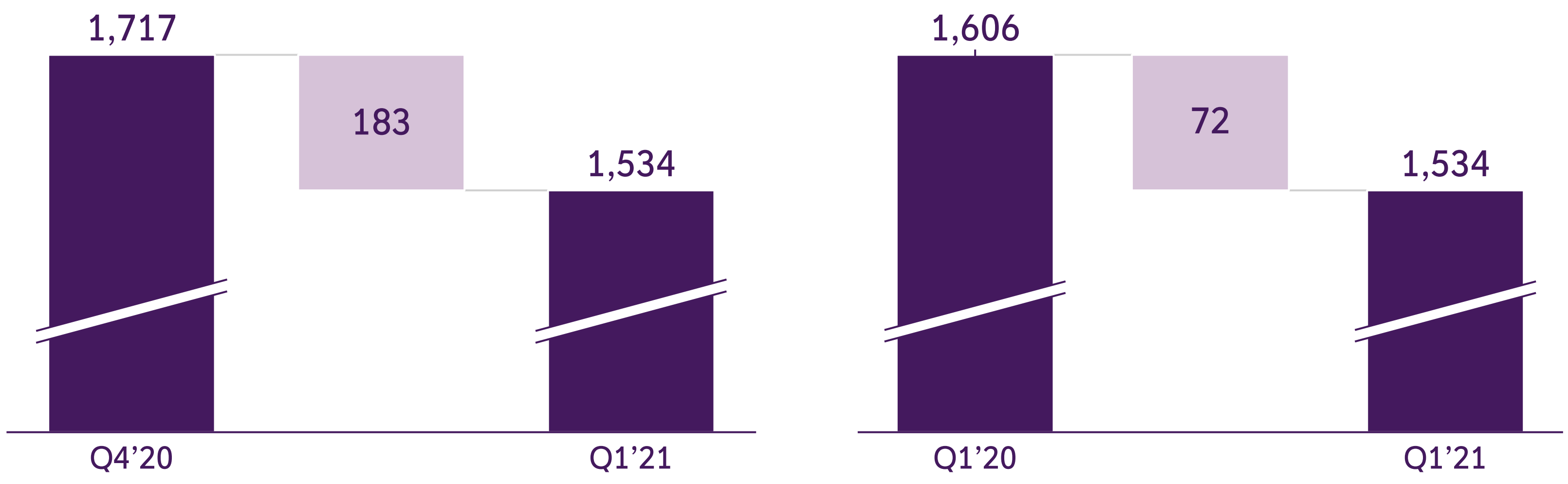

1. Excluding all notable items per slide 25.
2. Retail & Commercial Businesses' Fees and Commissions are calculated as Natwest group excluding Natwest Markets, central items and other

## On track to meet FY'21 cost reduction target of around 4%[1]

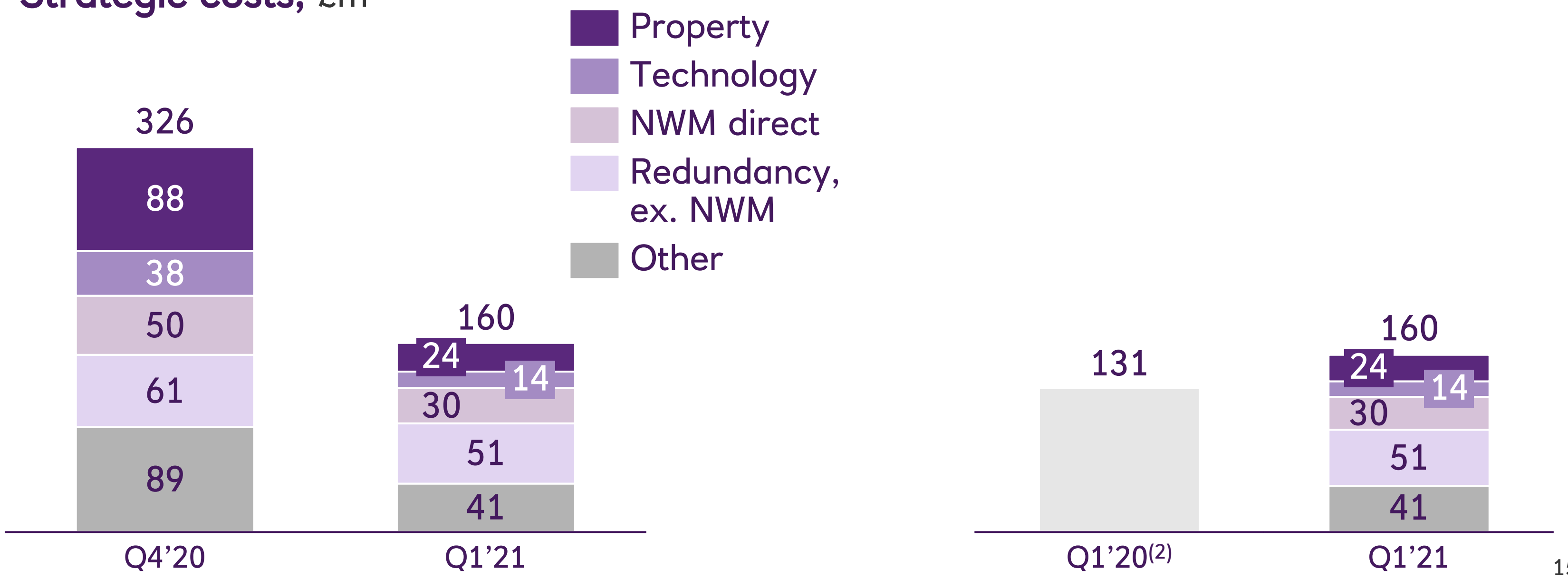
Other expenses ex-OLD and Ulster[1] down £72m versus Q1'20, equivalent to 4.5%

Strategic costs of £160m in Q1'21 include £81m relating to Redundancy and NatWest Markets refocus

### Other expenses ex Operating Lease Depreciation and Ulster ROI Direct[1], £m




### Strategic costs, £m




1. Other expenses excluding Operating Lease Depreciation (OLD) and Ulster Direct Cost. Operating Lease Depreciation £35m in Q1'21, £36m in Q1'20 and £35m in Q4'20. Ulster Bank ROI Direct costs of £70m in Q1'21, £72m in Q1'20 and £69 in Q4'20.
2. Q1'20 breakdown not disclosed

## Impairment release as defaults remain low, provision for economic uncertainty maintained

No change to economic assumptions in Q1’21

Improvement in underlying risk drives Stage 1 & 2 net releases

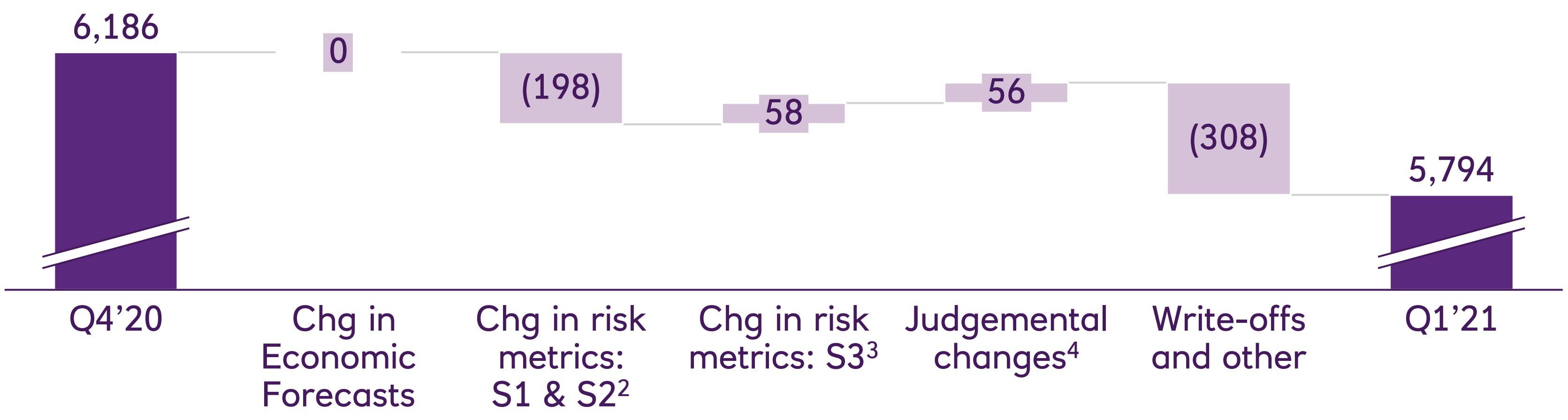
Stage 3 default charges benefit from £17m expected debt sale gain

Write-offs at average historical levels

### Impairment charge/(release) by segment

| | Retail Banking | Private Banking | Commercial Banking | RBSI | Ulster | NatWest Group |
|---|---|---|---|---|---|---|
| Q1’21 (£m) | 34 | - | (117) | (2) | (12) | (102) |
| Q1’21 (bps) | 8 | - | (43) | (5) | (27) | (11) |
| Q4’20 (£m) | 65 | 26 | 10 | 27 | (1) | 130 |
| Q4’20 (bps) | 15 | 61 | 4 | 81 | (2) | 14 |

### Movement in ECL[1], £m




1. May not cast due to rounding 2.Change in risk metrics and exposure for Stage 1 and Stage 2 assets; 3. Change in risk metrics and exposure for Stage 3 assets; 4. Changes in post model adjustments for Stage 1, Stage 2 and Stage 3

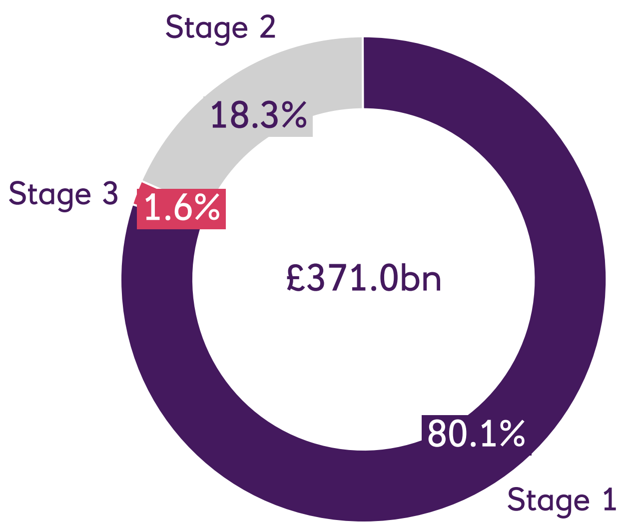
# Diversified risk profile with limited change in Q1

Stage 3 loans £6.1bn or 1.6% of group loans, down from 1.7% at Q4'20

ECL coverage has reduced to 1.6% from 1.7% due to good book releases and write-offs

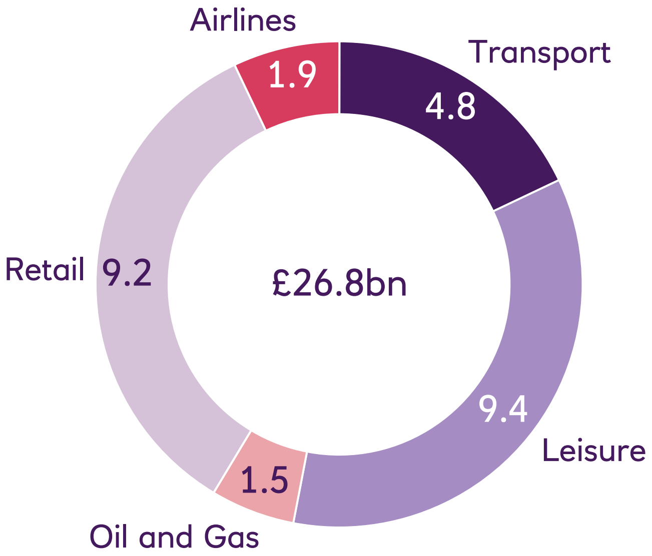
Focus sectors affected by COVID-19 down 2% over Q4'20 to c.£27bn, just £0.7bn in Stage 3

**Gross Loans & Advances by stage[1,2] £bn,** Q1'21




**Spotlight on sectors in focus for management,** Q1'21

Total loans and advances[1,3], £bn




**Staging of total loans and advances,** Q1'21

| Stage | Loans, £bn[1] | ECL, £bn | ECL cov, % |
|---|---|---|---|
| Stage 1 | 297.0 | 0.5 | 0.2 |
| Stage 2 | 67.9 | 2.9 | 4.3 |
| Stage 3 | 6.1 | 2.4 | 39.0 |
| **Total** | **371.0** | **5.8** | **1.6** |
| Total Q4'20 | 372.4 | 6.2 | 1.7 |

**Staging of sectors in focus for management[2,3],** Q1'21

| Stage | Loans, £bn[1] | ECL, £bn | ECL cov, % |
|---|---|---|---|
| Stage 1 | 14.7 | 0.0 | 0.3 |
| Stage 2 | 11.4 | 0.7 | 5.8 |
| Stage 3 | 0.7 | 0.3 | 46.7 |
| **Total** | **26.8** | **1.0** | **3.9** |
| Total Q4'20 | 27.4 | 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 pg17 of the NatWest Group plc's Q1'21 IMS.

Robust balance sheet with strong capital & liquidity levels

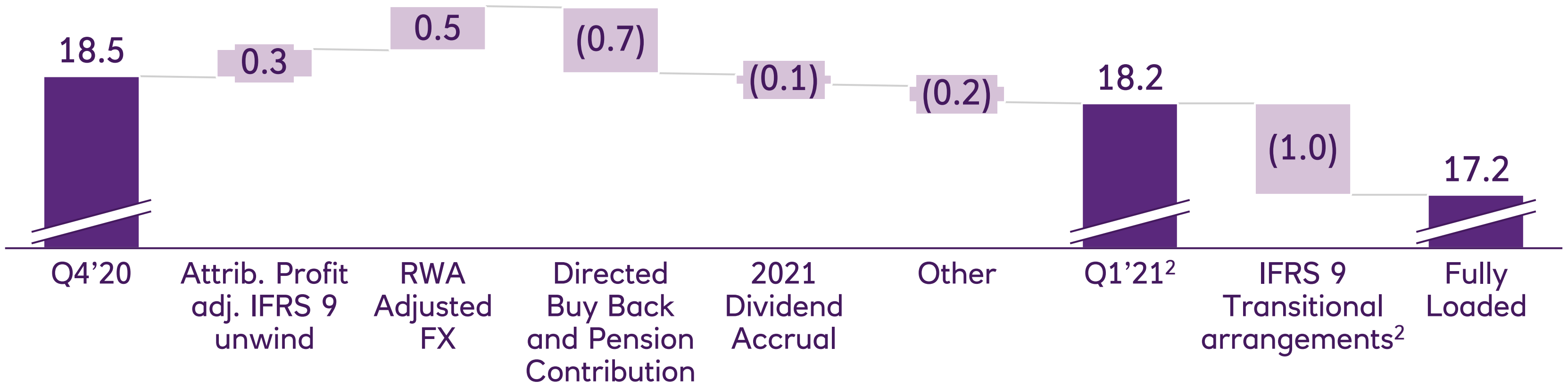
## Strong capital position post £1.1bn directed buy back

CET1 ratio 18.2% down 0.3% from Q4'20

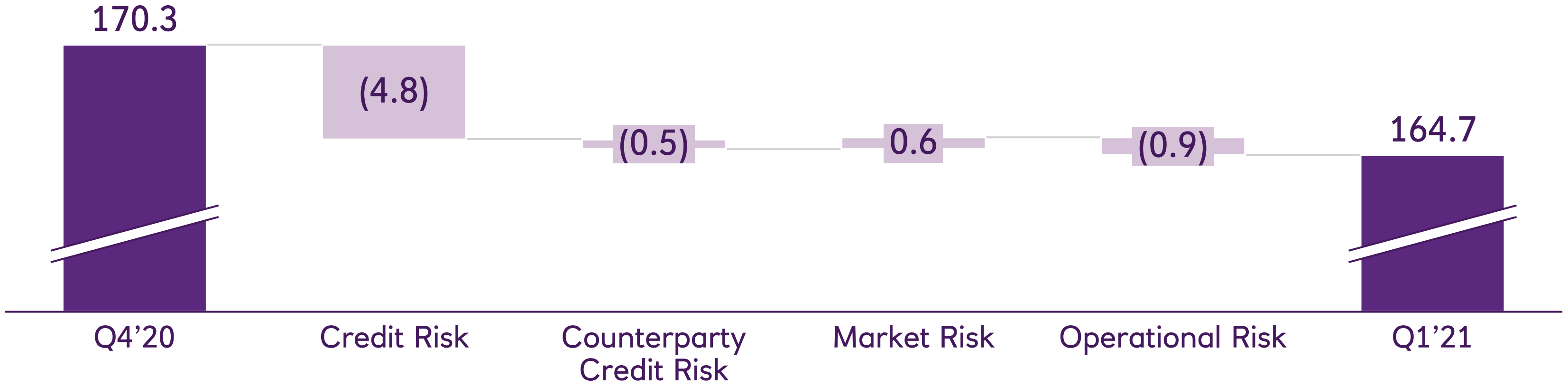
Share buy back and 2021 dividend accrual reduced ratio by 0.8%

RWA reduced by £5.6bn. Includes £1.3bn FX benefit and £1.0bn benefit from procyclicality

**CET1,** (%)[1]




**RWA,** £bn




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

# Robust balance sheet with strong capital & liquidity levels

## Robust balance sheet post LME and repayment of TFSME

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

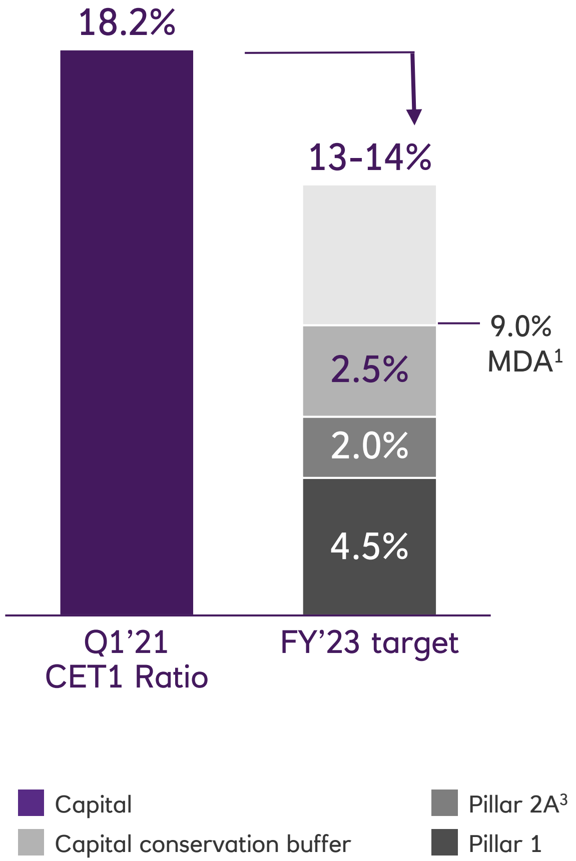
Our CET1 ratio is now 420-520bps or c.£7.0-8.6bn above our target range and more than double our Maximum Distributable Amount

1. Refer to detailed disclosure in Q1'21 IMS. 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 requirements are set on a nominal capital basis which results in an implied 9.0% MDA. 56.25% of the total Pillar 2A requirement must be met from CET1 capital. Pillar 2A requirement is expected to vary over time and is subject to at least annual review.

### CET1 headroom above medium term target[1,2]

**420-520bps**

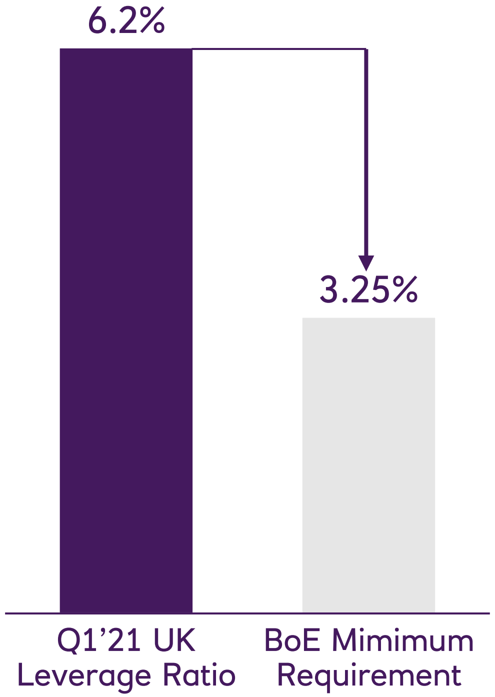
c.£7.0-8.6bn of headroom in Q1'21




### Headroom above minimum UK leverage requirements

**295bps**

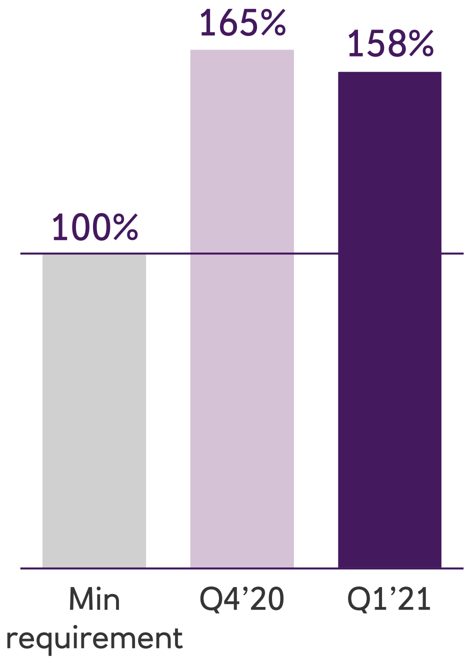
headroom above minimum requirements




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

**c.£64.9bn**

surplus liquidity over minimum requirement




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**

420-520 bps or c.£7.0-8.6bn headroom to target CET1 ratio in Q1'21 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**

# Q&A

# Appendix

# Guidance unchanged since FY'20

| | 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 RoI. 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 |
| RWA | We expect NatWest Group RWAs, including Ulster Bank RoI, 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 FY'20 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 RoI in 2021 as a result of the completion of the strategic review announced. 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. | 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.<br><br>As a result of the decision to withdraw from the Republic of Ireland, 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. |
| 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. | |

1 This presentation contains forward-looking statements, please see Forward-Looking Statements on slide 35

# Notable items

| £m | Q1'20 | Q2'20 | Q3'20 | Q4'20 | FY'20 | Q1'21 |
|---|---|---|---|---|---|---|
| Metro Bank mortgage portfolio acquisition loss | - | - | - | (58) | (58) | - |
| FX recycling (loss)/gain in Central items & other | (64) | (39) | 64 | (1) | (40) | - |
| IFRS volatility in Central items & other[1] | (66) | 55 | 49 | 45 | 83 | (1) |
| Retail Banking Debt Sale Gain | - | 3 | 4 | 1 | 8 | |
| Commercial Banking fair value and disposal (loss)/gain | (19) | 8 | 1 | (27) | (37) | (14) |
| NatWest Markets asset disposals/strategic risk reduction[2] | - | (63) | (12) | (8) | (83) | (4) |
| Own Credit Adjustments (OCA) | 155 | (102) | (34) | (43) | (24) | 2 |
| Share of gains/(losses) under equity accounting for Business Growth Fund | 16 | (1) | (46) | 8 | (22) | 121 |
| Liquidity Asset Bond sale gain/(loss) | 93 | 17 | 1 | 2 | 113 | - |
| Loss on redemption of own debt | - | - | (324) | - | (324) | (118) |
| **Notable Items in Total Income - Total** | **115** | **(122)** | **(297)** | **(81)** | **(384)** | **(14)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Bank Levy | - | - | (11) | (156) | (167) | - |
| Strategic Costs | (131) | (333) | (223) | (326) | (1,013) | (160) |
| Litigation & Conduct | 4 | 85 | (8) | (194) | (113) | (16) |
| Notable Items in Total Expenses – Total | (127) | (248) | (242) | (676) | (1,293) | (176) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cost:income ratio – reported[3] | 57.7% | 70.9% | 74.5% | 92.2% | 72.9% | 67.8% |
| Cost:income ratio – excluding notable items[3,4] | 55.7% | 58.8% | 57.6% | 69.2% | 60.1% | 60.8% |
| Return on tangible equity – reported[3] | 3.6% | (12.4%) | 0.8% | (1.4%) | (2.4%) | 7.9% |
| Return on tangible equity – excluding notable items[3,4] | 3.7% | (9.3%) | 5.7% | 4.8% | 1.2% | 9.8% |

1. IFRS volatility relates to derivatives used for risk management not in IFRS hedge accounting relationships and IFRS hedge ineffectiveness
2. Asset disposals/strategic risk reduction in 2020 relates to the cost of exiting positions and the impact of risk reduction transactions entered into, in respect of the strategic announcement on 14 February 2020.
3. Refer to the Appendix of Company Announcement for details of the basis of preparation and reconciliation of non-financial and performance measures
4. Excludes all notable income and cost items shown in the tables above except Bank Levy which is included. 27% tax rate assumed on all notable items excluding Litigation & Conduct costs and Bank Levy where no tax shield is assumed

# Tangible net asset value

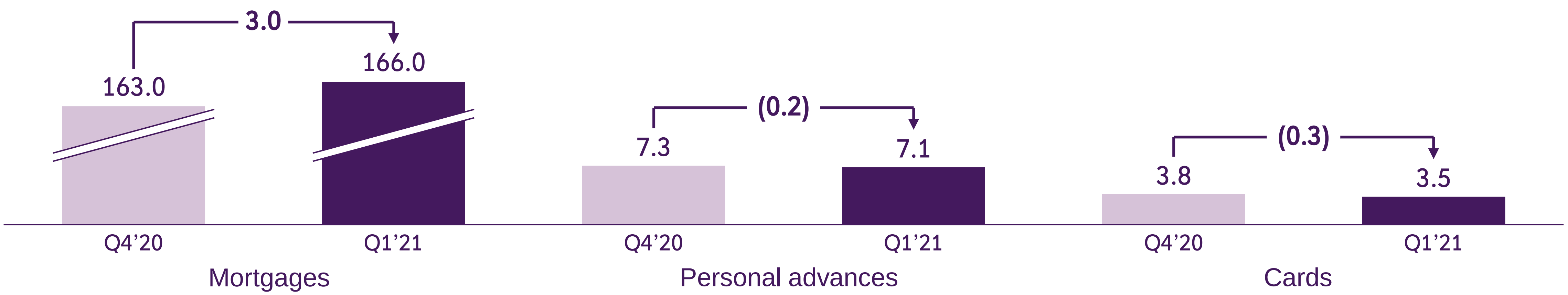
| | £m | Share count | Pence |
|---|---|---|---|
| **31 December 2020** | **31,712** | **12,129** | **261** |
| Directed buy back and pension[1] | (1,505) | (591) | 1 |
| Attributable profit | 620 | - | 5 |
| Foreign exchange | (348) | - | (3) |
| Other reserves / share issuance | (353) | 22 | (3) |
| **Net change** | **(1,586)** | **(569)** | **-** |
| **31 March 2021** | **30,126** | **11,560** | **261** |

1. In March 2021, there was an agreement with HM Treasury to buy 591 million ordinary shares in the Company from UK Government Investments Ltd (UKGI), at 190.5p per share, including £14m of fees. This triggered NatWest Group plc to contribute £500 million to its main pension scheme in line with the memorandum of understanding announced on 17 April 2018. After tax relief, this contribution reduced total equity by £365 million.

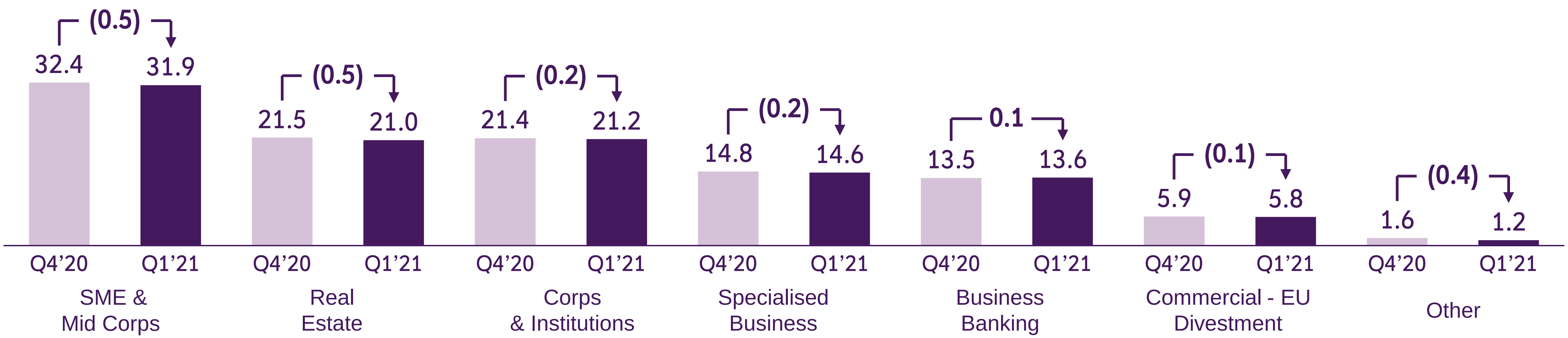
# Q1'21 Customer loan growth by product and sector

## Total loans to customers (amortised cost), £bn

### Retail Banking




### Commercial Banking



# Customer Loans and Deposits

| | Loans, £bn[1] | | Deposits, £bn | |
|---|---|---|---|---|
| | Q4'20 | Q1'21 | Q4'20 | Q1'21 |
| Retail Banking | 172.3 | 174.8 | 171.8 | 179.1 |
| Private Banking, ex government schemes | 16.7 | 17.2 | 32.4 | 33.5 |
| Commercial Banking, ex government schemes | 95.6 | 93.5 | 167.7 | 169.4 |
| RBS International | 13.3 | 14.7 | 31.3 | 33.3 |
| **UK & RBSI Retail and Commercial, Ex Government Schemes** | **297.9** | **300.1** | **403.2** | **415.3** |
| Scheme Lending | 12.9 | 13.5 | 0 | 0 |
| **UK & RBSI Retail and Commercial Net Lending / Customer Deposits** | **310.8** | **313.6** | **403.2** | **415.3** |
| NatWest Markets | 8.4 | 7.5 | 2.6 | 2.4 |
| Ulster Bank RoI | 18.0 | 16.9 | 19.6 | 18.4 |
| Central | 23.3 | 20.7 | 6.3 | 17.2 |
| **Net loans to customers / Customer deposits** | **360.5** | **358.7** | **431.7** | **453.3** |
| Impairment provisions | 6.0 | 5.6 | | |
| **Gross Loans to Customers** | **366.5** | **364.3** | | |
| Gross Loans and Advances to Banks | 6.8 | 7.1 | | |
| Gross Loans to Customers not in scope for ECL assessment | (0.9) | (0.4) | | |
| **Gross Loans and Advances[2]** | **372.4** | **371.0** | | |

1. May not cast due to rounding.
2. Loans – amortised cost and FVOCI, as detailed in the sector analysis on page 17 of the Q1'21 NWG IMS

# Structural Hedge[1]

| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Incremental Income (£m) | Total Income (£m) | Period end notional (£m) | Average Notional (£m) | Total Yield % | Incremental Income (£m) | Total Income (£m) | Period end notional (£m) | Average Notional (£m) | Total Yield % |
| Equity structural hedging | 478 | 580 | 23 | 24 | 2.43 | 399 | 644 | 25 | 27 | 2.36 |
| Product structural hedging | 543 | 958 | 125 | 115 | 0.83 | 183 | 1,094 | 111 | 111 | 0.99 |
| Other Structural hedges | 119 | 150 | 21 | 20 | 0.73 | 61 | 166 | 21 | 21 | 0.79 |
| Total | 1,140 | 1,688 | 169 | 159 | 1.06 | 643 | 1,904 | 157 | 159 | 1.20 |

1. Further details can be found on page 230 of the FY'20 ARA.

# Interest rate sensitivity

| 2020 | +25 basis points parallel upward shift | | | -25 basis points parallel upward shift | | |
|---|---|---|---|---|---|---|
| | Year 1 (£m) | Year 2 (£m) | Year 3 (£m) | Year 1 (£m) | Year 2 (£m) | Year 3 (£m) |
| Structural Hedge | 37 | 118 | 199 | (37) | (118) | (199) |
| Managed Margin | 319 | 380 | 387 | (258) | (285) | (292) |
| Other | 15 | - | - | (20) | - | - |
| Total | 371 | 498 | 586 | (315) | (403) | (491) |

| 2019 | +25 basis points parallel upward shift | | | -25 basis points parallel upward shift | | |
|---|---|---|---|---|---|---|
| | Year 1 (£m) | Year 2 (£m) | Year 3 (£m) | Year 1 (£m) | Year 2 (£m) | Year 3 (£m) |
| Structural Hedge | 31 | 97 | 168 | (27) | (90) | (154) |
| Managed Margin | 195 | 195 | 196 | (158) | (127) | (128) |
| Other | (14) | - | - | 15 | - | - |
| Total | 212 | 292 | 364 | (170) | (217) | (282) |

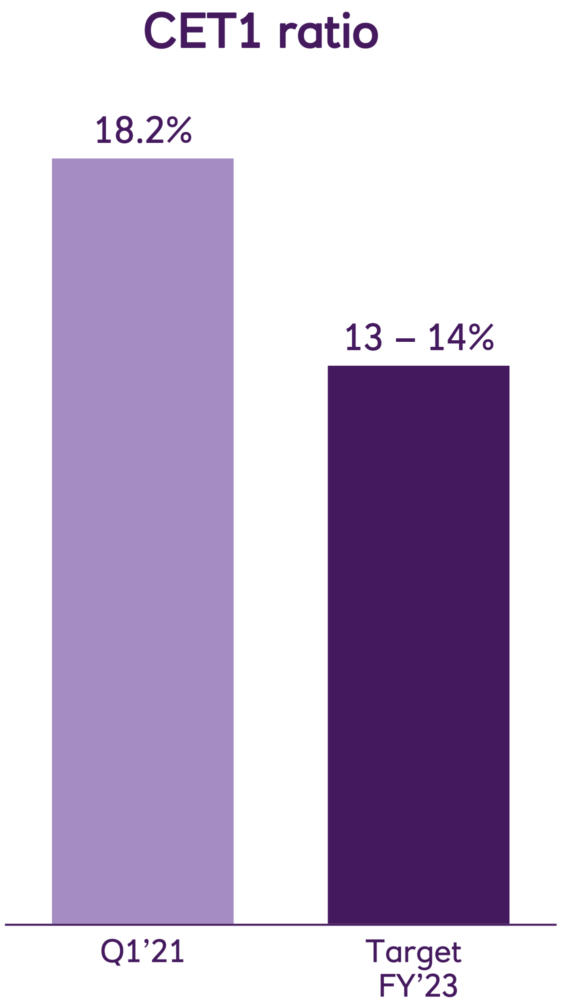
1. Further details can be found on page 232 of the FY'20 ARA.

# IFRS 9 Economic Assumptions[1] - unchanged in Q1'21

| | | UK GDP – Annual Growth (%) | | | UK Unemployment rate – annual average (%) | | |
|---|---|---|---|---|---|---|---|
| Scenario | Probability weighting | 2021 | 2022 | 5 Year Average | 2021 | 2022 | 5 Year Average |
| 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 |

1. Full details of the assumptions on GDP and unemployment can be found on page 173 and 174 of the FY'20 ARA.

# CET1 Ratio Drivers – target 13-14% CET1 by FY'23




## Key Drivers of CET1 ratio[1]:

| | |
|---|---|
| **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** | £500m pre-tax contribution paid in Q1'21. Further £1bn pre-tax accrual, with a maximum of £500m per annum |
| **IFRS 9 unwind** | £1.7bn benefit of 100% at Q1'21, 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** | We expect mortgage risk-weight inflation of around £12bn based on balances at end 2020, and other model changes to be introduced on 1 Jan 2022. Procyclicality may bring part of this forward into 2021.<br>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 35 and Outlook Statement on page 9 of NatWest Group plc FY'20 Company Announcement

# ESG – Progress against targets

## 2020 progress

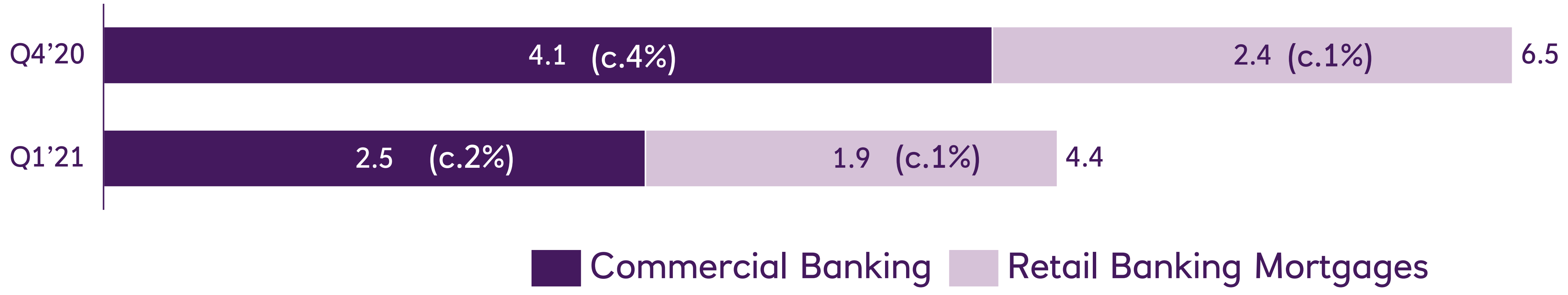
| | |
|---|---|
| **ENTERPRISE**<br>The biggest supporter of enterprise in the UK & RoI | 1,230 new entrepreneurs supported with the Accelerator programme, and a further 14,200 through Business Builder<br>10,000 hours of coaching delivered to business owners, over 1,000 Enterprise support events reaching more than 45,000 attendees<br>£1bn funding for female entrepreneurs[1] fully deployed, fund recently doubled to £2bn |
| **LEARNING**<br>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)<br>600k customers helped to start saving[2] (targeting 2m by 2023)<br>>760 Interns, Graduates and Apprentices hired and a commitment to hire a further 1k by end 2021 |
| **CLIMATE**[8]<br>A leading bank in the UK & RoI helping to address the climate challenge | Only 0.8% of exposure[3] is to Oil & Gas, with 15.8%[3] reduction (to ~£4.1bn). Developed methodology to assess credibility of transition plans of Oil & Gas majors and coal customers[4].<br>Achieved Net Zero Carbon in 2020 for own operations[5]<br>£12bn climate and sustainable funding and financing. We expect to exceed our £20bn target during 2021[6]<br>$600m NatWest Group Green Bond issued<br>Launched Green Mortgages and joined partnerships to help customers and colleagues move to electric vehicles<br>Estimated emissions for 4 high carbon emitting sectors[7] |

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.

# Supporting our customers through Covid-19

**Payment Holidays**

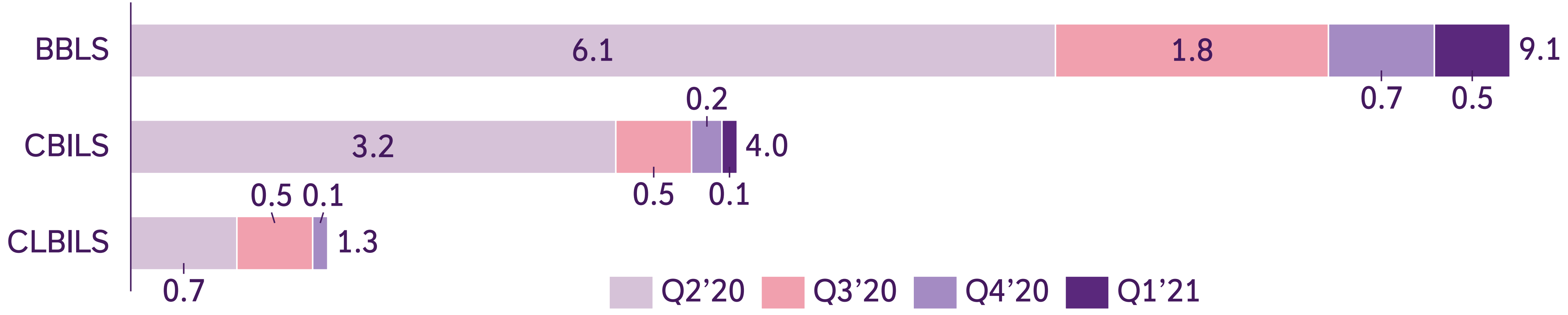
Total Loans, £bn, (% Share of Book)




**Government Lending Scheme Approvals**

Approved value of c.£14.4bn under government schemes in Commercial Banking, NatWest Group's share of the total lending c.19%[1]

Total Approved Loans in Commercial Banking, £bn




1. Of approved schemes, according to Data per HM Treasury available on 21st March 2021

## 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 345-362 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 risk, 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).

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