



NatWest  
Group

# Q3 2021 Results

29<sup>th</sup> Oct 2021







**Alison Rose**  
Chief Executive Officer

## Strong Q3'21 performance

Supporting our customers through the recovery with £2.9bn net lending growth<sup>1</sup>

Delivering against our targets to drive sustainable returns for shareholders

£750m on-market buyback underway with £402m executed to date

£2.6bn<sup>2</sup> booked of our c.£2.9bn minimum commitment for FY'21 distributions

1. Net lending to customers across the UK and RBSI retail and commercial businesses, excluding UK Government lending schemes
2. Shareholder distributions include minimum dividends of £1,000m, on-market buyback of up to £750m and Directed Buy Back of £1,125m
3. Other expenses, excluding OLD and Ulster Bank Rol direct costs

### Q3'21 performance

**£1,074m**

Operating profit before tax in Q3'21, up from £0.4bn profit in Q3'20

**£242m**

Impairment release in Q3'21 (26bps) of customer loans vs. £254m charge in Q3'20 28bps of customer loans

**£674m**

Attributable profit in Q3'21, compared to £61m profit in Q3'20

### Delivering against our targets

**3.1%**

Net Lending Growth<sup>1</sup> on an annualised basis, up £7bn on FY'20

**4.3%**

Cost reduction<sup>3</sup> of £198m in 9M'21 vs. 9M'20

**18.7%**

CET1 Capital Ratio Includes 60bps of IFRS 9 transitional relief

### Shareholder distributions

**£1bn**

Minimum annual dividend £750m accrual included in 18.7% CET1 ratio

**£750m**

On-market buy-back £402m executed to date

**£1.1bn**

Directed buy-back in Mar'21 4.99% window reopens on 19<sup>th</sup> March 2022



Strategic priorities will drive sustainable returns

Delivering against our strategic priorities to drive sustainable returns for shareholders

Powering growth through innovation, partnership and digital transformation

Simplification and cost efficiency

Portfolio discipline and effective deployment of capital



We announced a new target to provide an additional £100 billion of Climate and Sustainable Funding and Financing<sup>3</sup>

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
3. Between 1 July 2021 and the end of 2025
4. This presentation contains forward-looking statements. Please see "Forward-Looking Statements" on slide 37

Sustainable growth with an intelligent approach to risk

Supporting our customers through the recovery

Net mortgage lending resilient post Stamp Duty taper

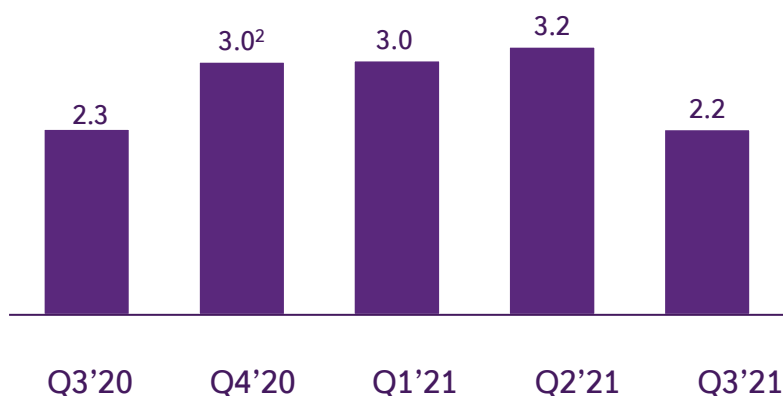
Credit card balances up further £0.1bn (3%) in the quarter with good momentum on new card issuance

Outside government schemes, corporate deleveraging slows

1. Data relates to Retail Banking
2. Excludes Metro acquisition of £3bn in Q4'20
3. Sep'21 on Sep'20
4. RCF – Revolving Credit Facility
5. AUMs comprise assets where the investment management is undertaken by Private Banking irrespective of the franchise the customer belongs to. AUAs comprise third party assets held on an execution-only basis in custody. Total AUMA is sum of AUM and AUA
6. NNM related to AUM
7. Our Digital investment platform across NatWest, Royal Bank and Coutts Invest

## Mortgage net lending<sup>1,2</sup>

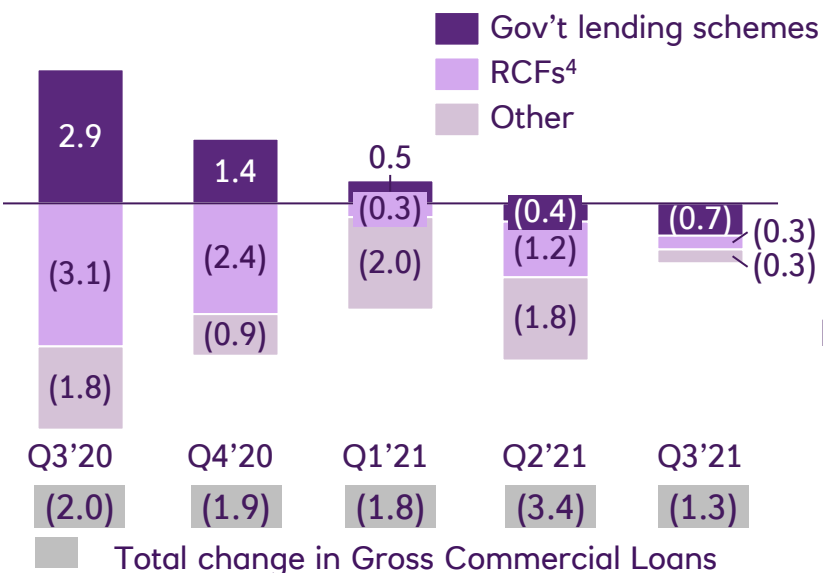
(change in period, £bn)



- Buy-to-Let application volumes in Q3'21 more than double Q2'21

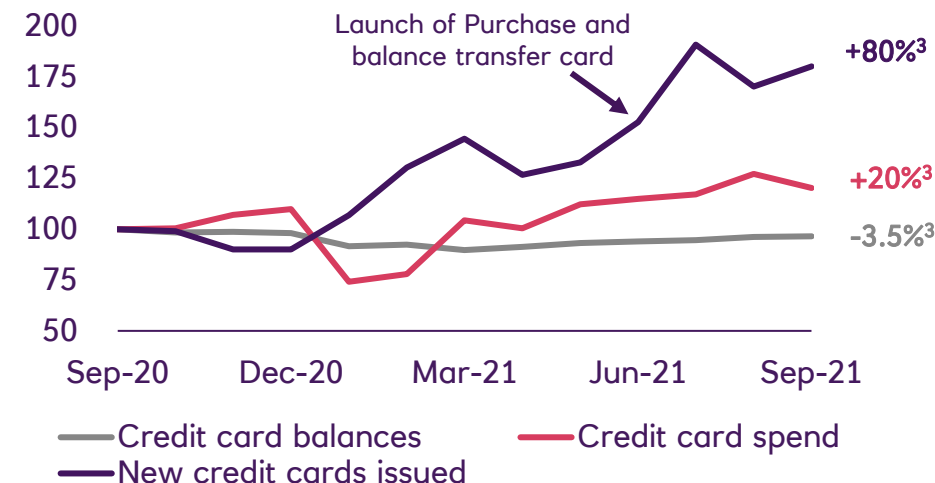
## Commercial Banking lending

(change in period, £bn)



## Credit card activity<sup>1</sup>

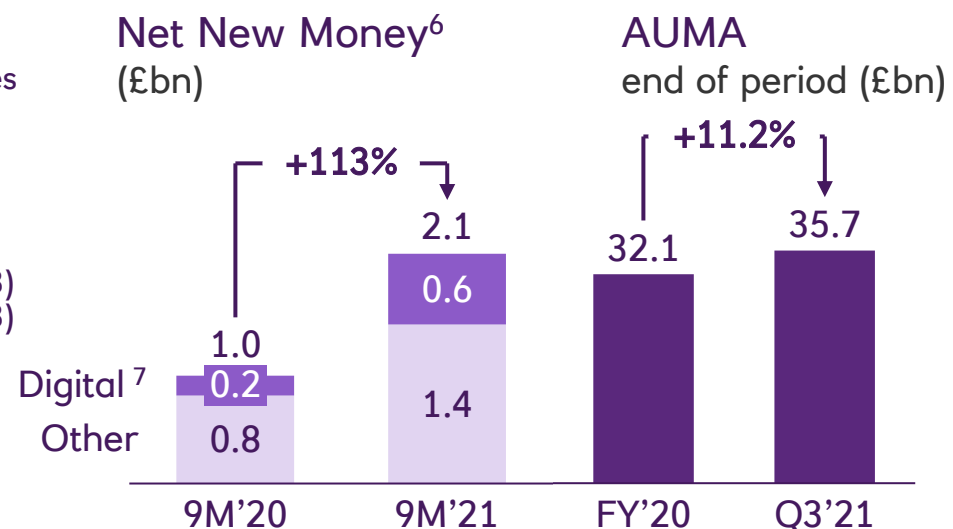
(rebased 100 = Sept'20)



## AUMA Growth<sup>5</sup>

Net New Money<sup>6</sup>

(£bn)



- AUMA growth of £3.6bn in 9M'21 of which £2.1bn NNM (£0.7bn in Q3'21)



Accelerating digital transformation to deliver improved customer experience and efficiencies

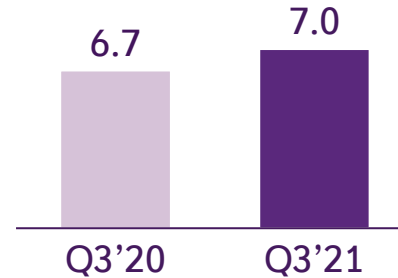
We are deepening digital engagement through our transformation

We are increasing automation to simplify customer journeys and reduce costs

1. Based on the average for the last month of the period. Current account customers only.
2. Difference in click through rate for all messages since introduction of personalised insights. Retail customers only.

### Digital customer base

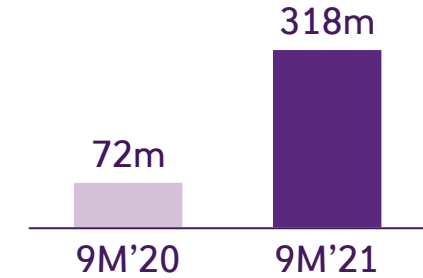
Retail<sup>1</sup> customers exclusively using digital channels to interact with us (m)



- 89% of retail customer needs met digitally, up from 77% in Q3'20

### Personalised Messaging

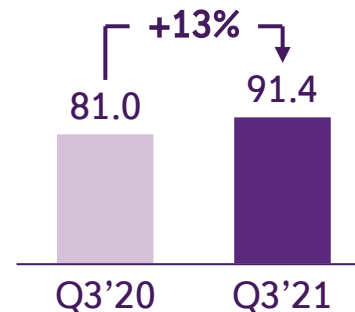
# messages delivered to customers, tailored to individual needs



- The personalisation of messages has driven 41% increase in customer engagement over the period<sup>2</sup>

### Digital payments

Mobile payments (m)



### Alternative Payment Methods



- Processed transactions worth over £1.5bn since inception in 2019, increase of ~£0.5bn in Q3'21



## Actively managing capital

We remain strongly capitalised with 18.7% CET1 ratio

Good progress in executing Ulster Bank RoI withdrawal and NatWest Markets refocusing

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

Committed to returning excess capital to shareholders

## Actively managing capital and optimising its allocation across the group

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- Active capital management in Commercial Banking contributed to £0.7bn reduction in RWAs in Q3'21
- We expect NatWest Markets exit/disposal costs and the impact of Commercial Banking capital management actions to total a combined £150m in 2021; £70m realised 9M'21

## Returning excess capital to shareholders

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- NatWest Group is a capital generative business that aims to operate at a CET1 ratio of between 13-14% by 2023
- Shareholder distributions are a key driver of our path to 13-14%
- Share buy-back programme of up to £750 million commenced on 2 August with £402m complete as at 27<sup>th</sup> October, on track for completion in early Q1'22
- HMT shareholding is now below 54%<sup>1</sup> vs. c.62% at the beginning of the year

1. 54% refers to the latest publicly available figure on HMT shareholding as at 17th September 2021





**Katie Murray**  
Chief Financial Officer



## Strong Q3 performance

Income excluding notable items was in line with Q2'21 as strength in mortgages was offset by lower trading income

Other expenses up 0.2% over Q2'21 due to timing of investment spend

Further impairment release of £242m, 26bps of customer loans, due to improvement in underlying risk and low level of defaults

£m	Q3'21	Q2'21	Q3'20	vs Q2'21	vs Q3'20
Net interest income	1,954	1,985	1,926	(1.6)%	1.5%
Non-interest income	820	675	497	21.5%	65.0%
<b>Total income</b>	<b>2,774</b>	<b>2,660</b>	<b>2,423</b>	<b>4.3%</b>	<b>14.5%</b>
<i>Total Income ex notable items<sup>1</sup></i>	<i>2,621</i>	<i>2,621</i>	<i>2,720</i>	<i>(0.0)%</i>	<i>(3.6)%</i>
Other expenses	(1,571)	(1,568)	(1,583)	0.2%	(0.8)%
Strategic costs	(77)	(172)	(223)	(55.2%)	(65.5)%
Litigation and conduct costs	(294)	34	(8)	n.m.	36x
<b>Operating expenses</b>	<b>(1,942)</b>	<b>(1,706)</b>	<b>(1,814)</b>	<b>13.8%</b>	<b>7.1%</b>
<b>Operating profit before impairments</b>	<b>832</b>	<b>954</b>	<b>609</b>	<b>(12.8%)</b>	<b>36.6%</b>
Impairment releases/ (losses)	242	605	(254)	(60.0%)	n.m.
<b>Operating profit</b>	<b>1,074</b>	<b>1,559</b>	<b>355</b>	<b>(31.1%)</b>	<b>202.5%</b>
Tax	(330)	(202)	(207)	63.4%	59.4%
<b>Attributable profit</b>	<b>674</b>	<b>1,222</b>	<b>61</b>	<b>(44.8)%</b>	<b>11x</b>
<b>RoTE</b>	<b>8.5%</b>	<b>15.6%</b>	<b>0.8%</b>	<b>-7.1ppt</b>	<b>+7.7ppt</b>

1. Notable items as per slide 24

Focused on generating shareholder value

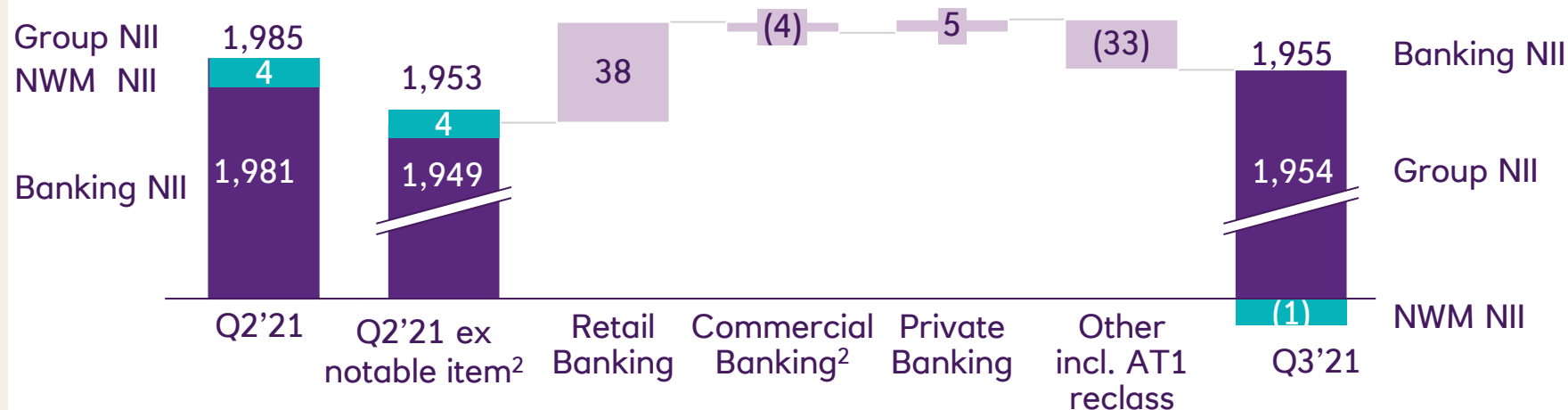
## Net interest income supported by mortgage growth

Banking net interest income ex-notable items was up 0.3% in the quarter driven by mortgage growth, partially offset by reclassification of AT1 cost from equity to debt of £14m

Bank NIM excluding Liquid Asset Buffer impacted by AT1 reclassification and higher funding costs

1. May not cost due to rounding
2. Non-repeat of Q2 One-off in Commercial Banking related to tax variable lease repricing following the enactment of future corporation tax rate changes (+£32m or +3bps of Bank AIEAs)
3. Bank net interest margin and Bank average interest earning assets exclude NWM from NatWest Group plc figures.
4. Includes AT1 reclass

## Net Interest Income<sup>1</sup>, £m



## Bank Net Interest Margin<sup>3</sup> excluding Liquid Asset Buffer, bps



493.9

Bank Average Interest Earning Assets (IEAs)<sup>3</sup>, £bn

504.9

163.4

of which Liquid Asset Buffer IEAs<sup>3</sup>, £bn

173.7

161

158

Bank NIM<sup>3</sup>

154



Focused on generating  
shareholder value

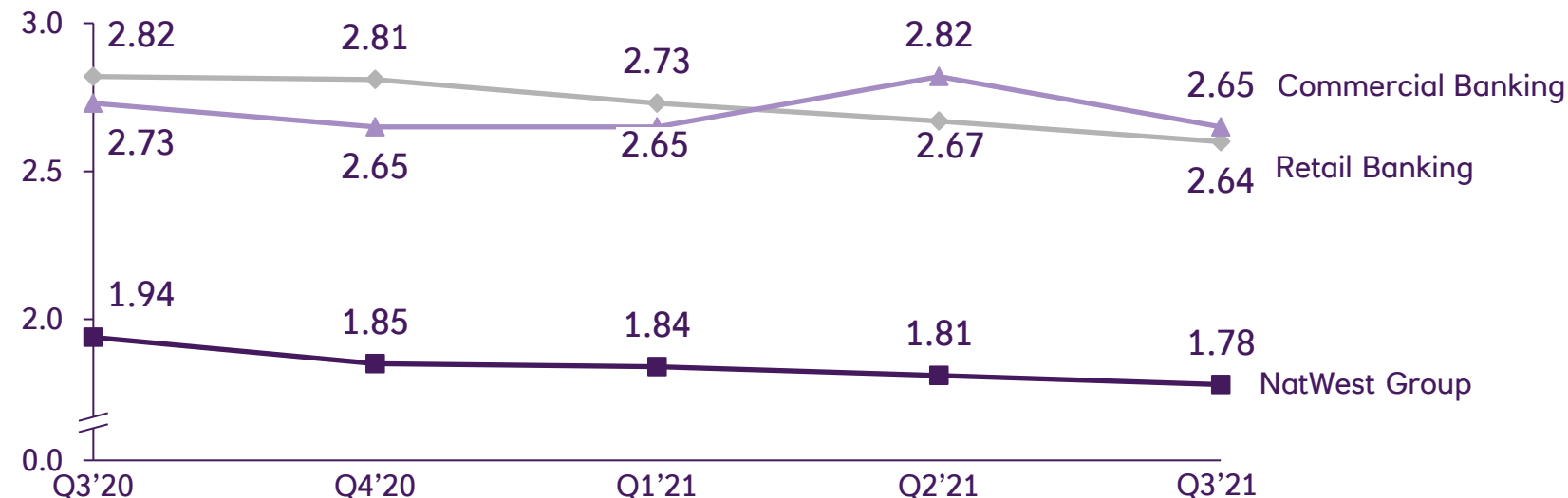
NIM drivers: moderate  
pressure on asset yields

Group asset yield  
impacted by further  
growth in Bank Liquid  
Asset Buffer, +£10bn over  
Q3. Funding costs  
increased to 0.34% in Q3  
due to AT1 reclassification  
and issuance

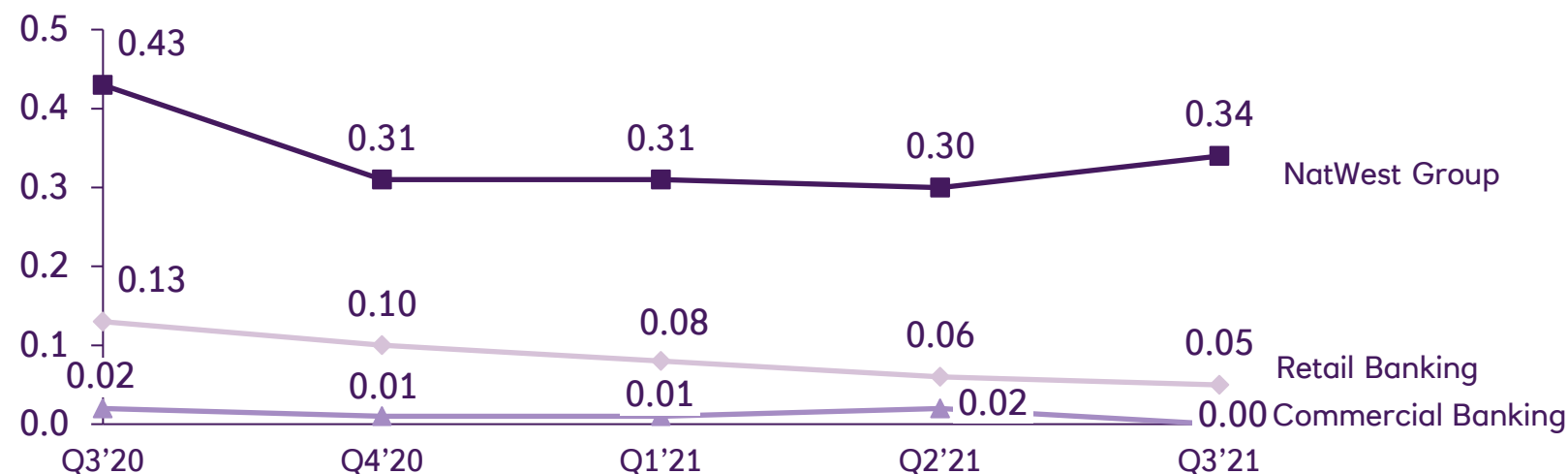
Retail Banking loan yield  
impacted by lower  
mortgage rates. Mortgage  
margin on back book up 1  
bp to 164bps

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 plus the benefit from free funds; for Retail and Commercial Banking it represents the third party customer funding rate which includes both interest-bearing and non-interest bearing deposits.
3. Growth of average balances for the quarter

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



Cost of interest bearing and non-interest bearing banking liabilities, %<sup>2</sup>



## Spotlight on NIM drivers

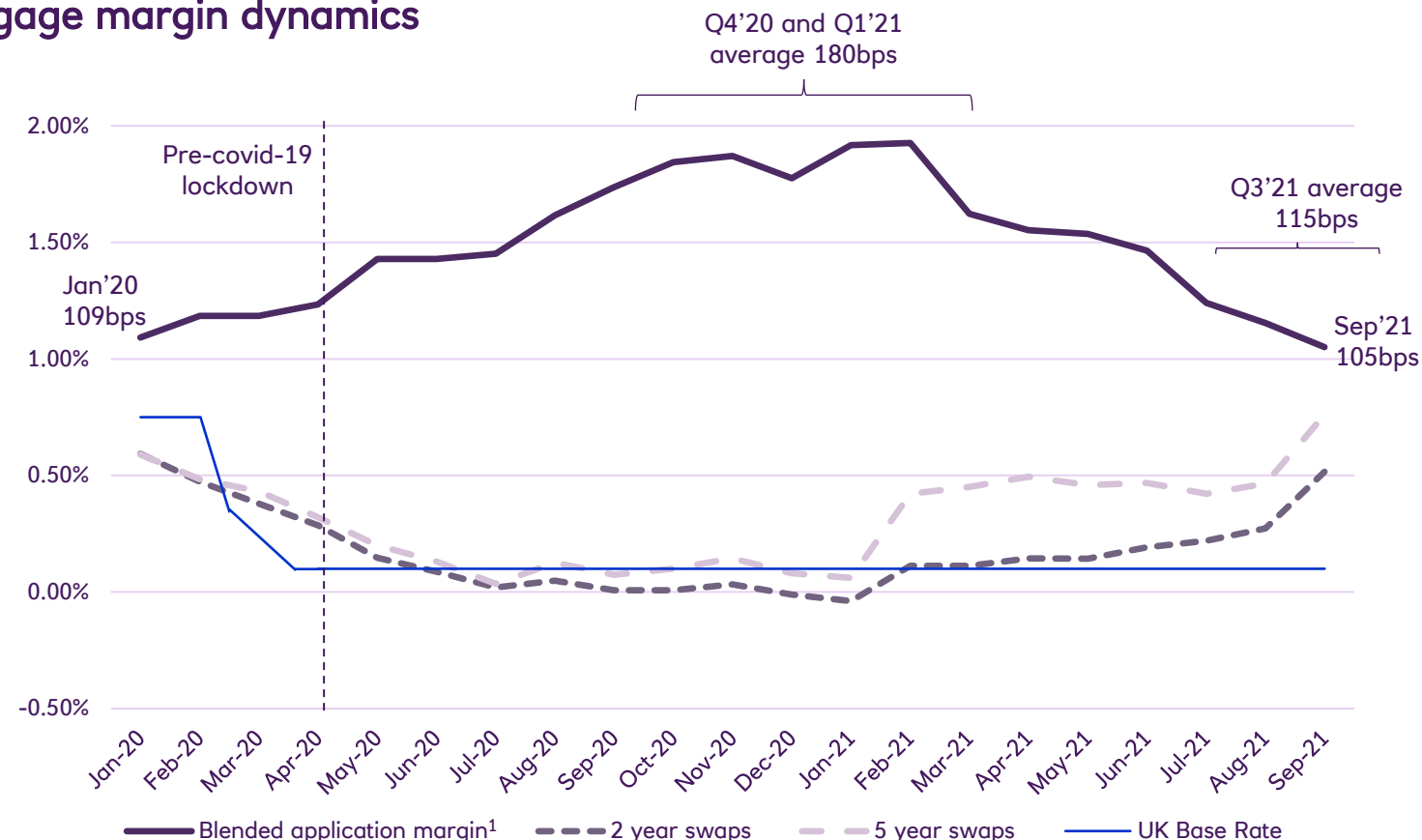
Mortgage margins are returning to levels seen pre-COVID 19 and ROE remains attractive

Swap rates have continued to rise in October. We have taken action to increase customer mortgage rates across some of our lower LTV products

Group interest rate sensitivity at H1'21 shows £1,253m income benefit from +100bps parallel shift in GBP interest rates over 12 months

1. Blended application margin includes new business and switchers and is the difference between the customer rate and the relevant funding rate. All points between published data points are stylised and illustrative/ or interpolated
2. Group interest rate sensitivity across all currencies. See page 78 of the NWG H1'21 IMS

## Mortgage margin dynamics



## Interest rate sensitivity, H1'21<sup>2</sup>

H1 2021	+25 basis points parallel upward shift		
	Year 1	Year 2	Year 3
Structural Hedge	39	127	215
Managed Margin	414	365	287
Other	(3)	-	-
<b>Total</b>	<b>450</b>	<b>492</b>	<b>502</b>

## Forward GBP base rates at H1'21

H1 2021	
Date	UK Base Rate
Q2'21	0.10%
Q4'22	0.25%
Q4'23	0.50%



Focused on generating shareholder value

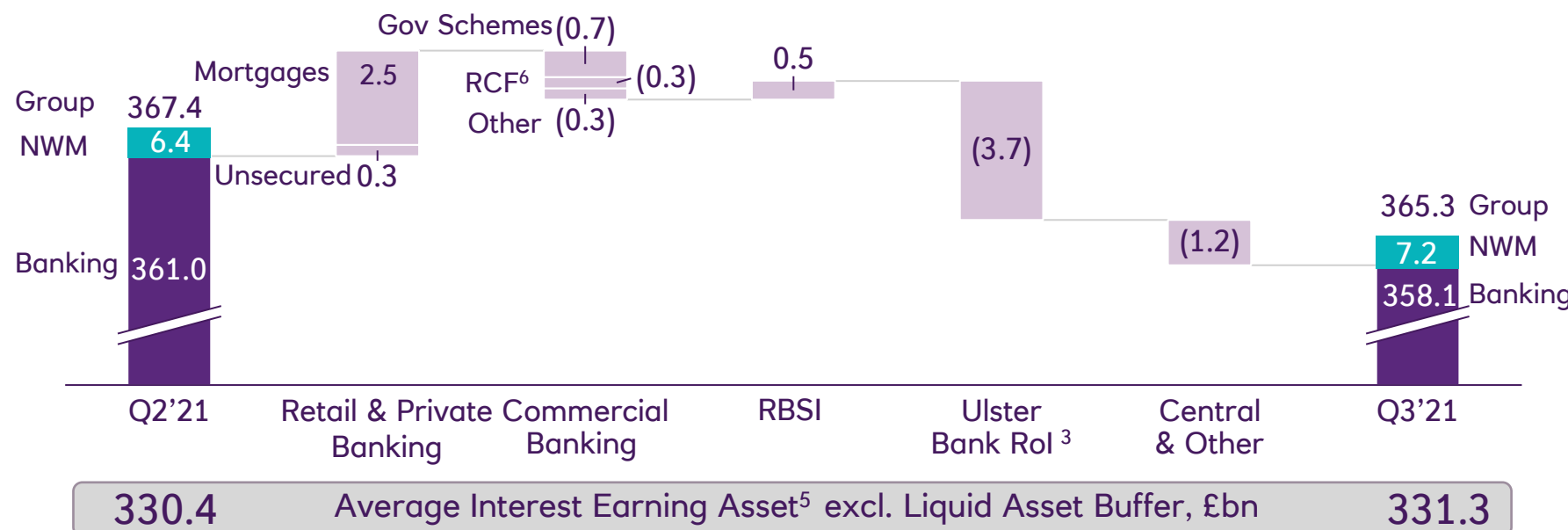
## Growth in our target segments<sup>1</sup>

Gross banking loans to customers down by 0.8% in the quarter driven by the reclassification of Ulster loans to be sold to AIB<sup>1</sup>

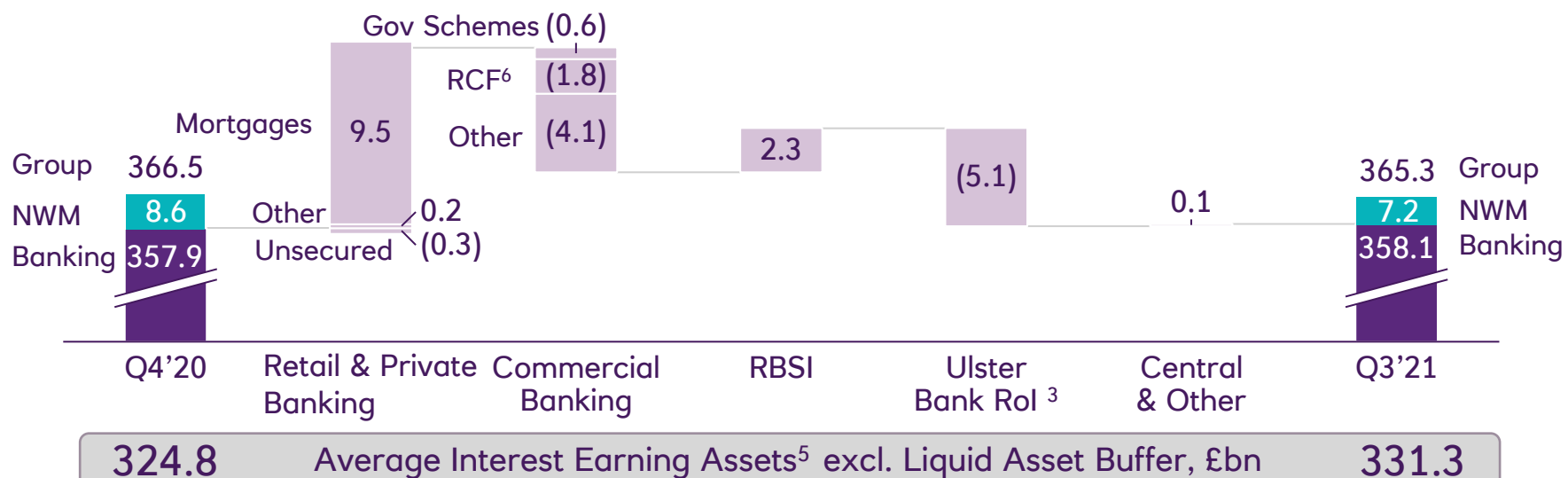
£2.7bn<sup>2</sup> growth across UK & RBSI Retail & Commercial businesses, ex govt. schemes

Mortgage growth partly offset by commercial deleveraging

## Gross customer loans<sup>4</sup>, quarter on quarter, £bn



## Gross customer loans<sup>4</sup>, year to date, £bn



1. UK & RBSI Retail & Commercial businesses, ex govt. schemes
2. Net lending up by £2.9bn including ECL
3. Includes reclassification of €3.9 billion of gross loans agreed to be sold to Allied Irish Banks, p.l.c. as assets held for sale
4. May not cast due to rounding, Customer Loans Amortised Cost
5. Bank average interest earning assets = NatWest Group plc excluding NWM
6. Revolving credit facilities for our Commercial Banking customers

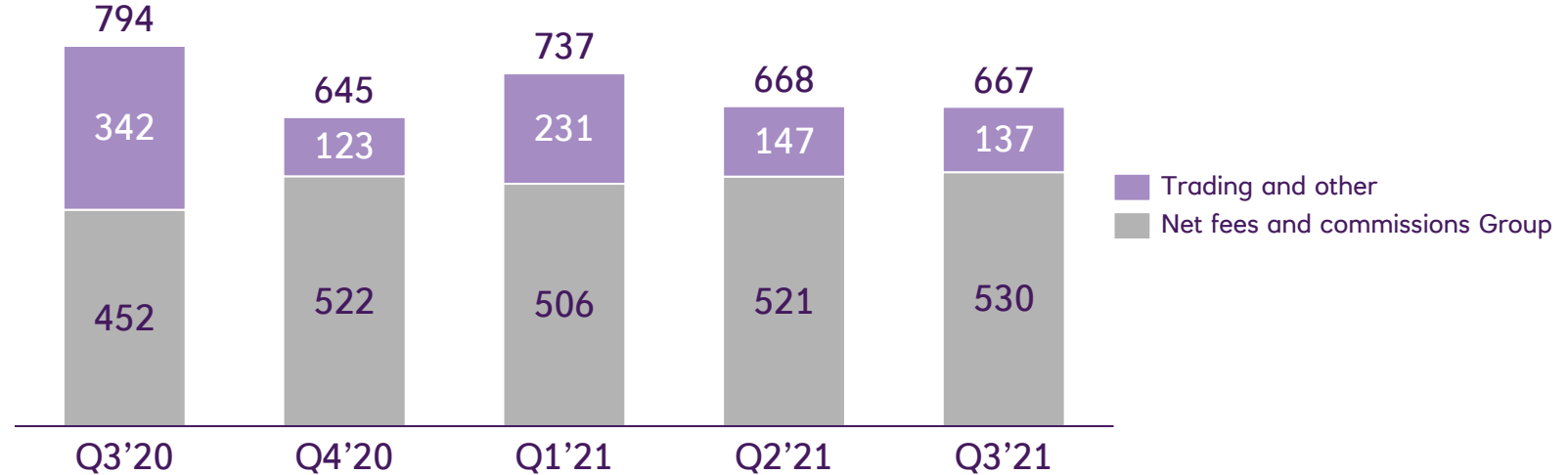
Focused on generating shareholder value

Non-interest income impacted by lower trading income

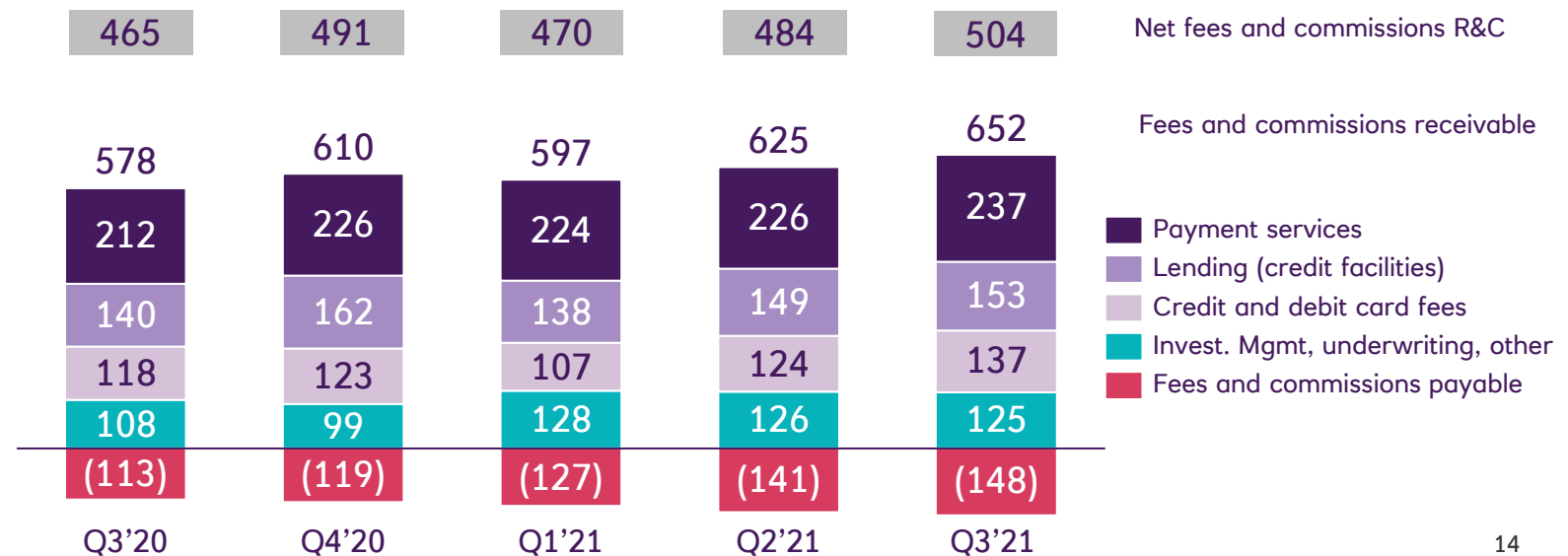
NatWest Markets income<sup>1</sup> down 27% over Q2'21 to £105m due to ongoing weak Fixed Income performance and reshaping of the business

Retail & Commercial net fees and commissions<sup>2</sup> up £20m or 4.1% over Q2'21

## Non Interest Income<sup>1</sup> £m



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



1. Excluding relevant notable items per slide 24. Restated £5m in Q1 and £20m in Q2 for Liquidity Asset Bond sale gain
2. Retail & Commercial Businesses' Fees and Commissions are calculated as NatWest Group excluding NatWest Markets, central items and other



## Simplification and cost efficiency

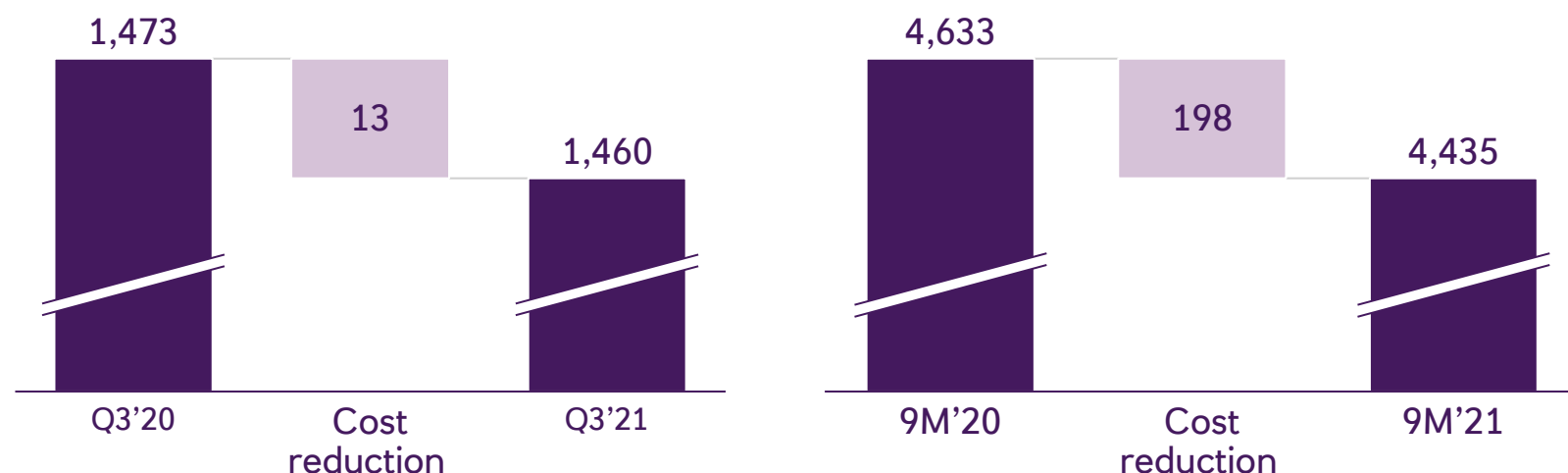
Cost reduction of 4.3% in 9M'21<sup>1</sup>, on track for c.4% target for FY'21

Other expenses ex-OLD and Ulster Bank Rol<sup>2</sup> of £1.5bn in Q3, down £13m or 0.9% versus Q3'20

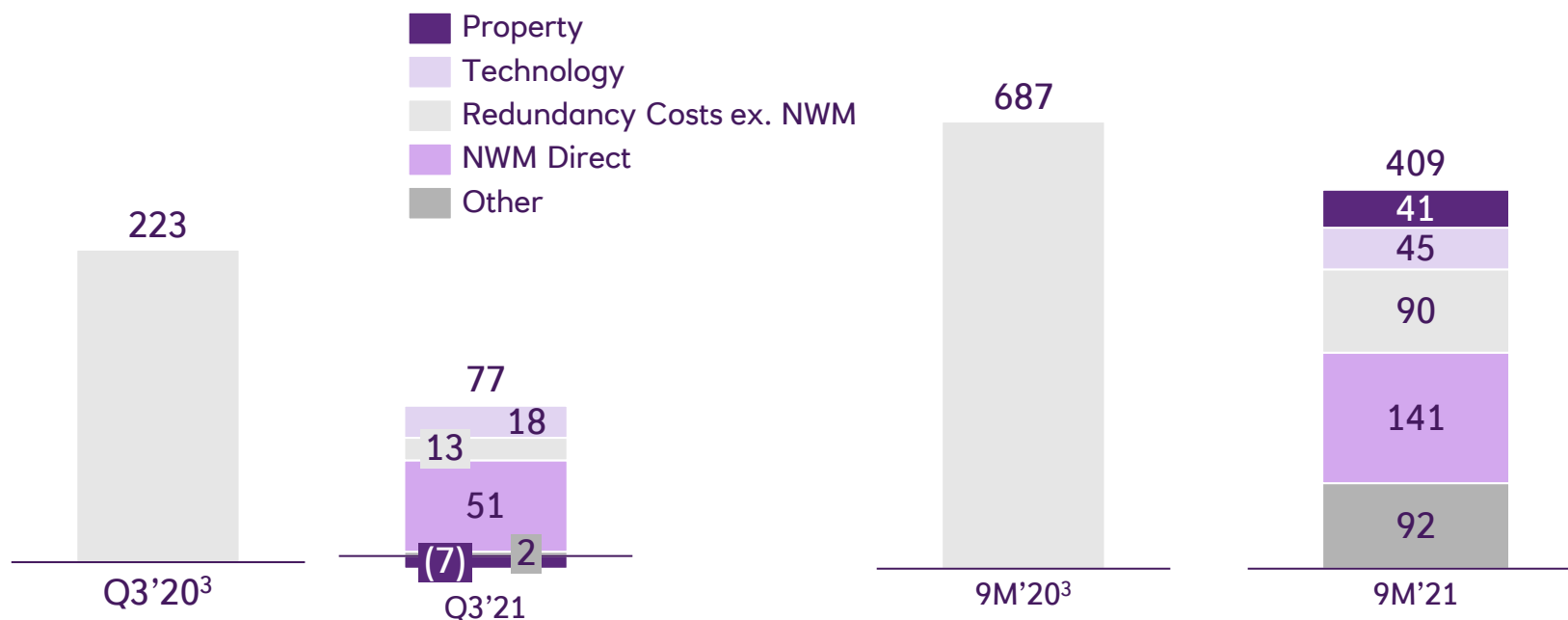
Strategic costs of £77m in Q3'21 include £64m relating to Redundancy and NatWest Markets reshaping.

1. Reduction of £198m in Other expenses ex Operating Lease Depreciation and Ulster Bank Rol Direct
2. Other expenses excluding Operating Lease Depreciation (OLD) and Ulster Bank Rol Direct Cost. Operating Lease Depreciation £36m in Q3'21, £37m in Q3'20. Ulster Bank Rol Direct costs of £75m in Q3'21, £73m in Q3'20.
3. Q3'20 and 9M'20 breakdown not disclosed

## Other expenses ex Operating Lease Depreciation and Ulster Bank Rol Direct<sup>2</sup>, £m



## Strategic costs, £m



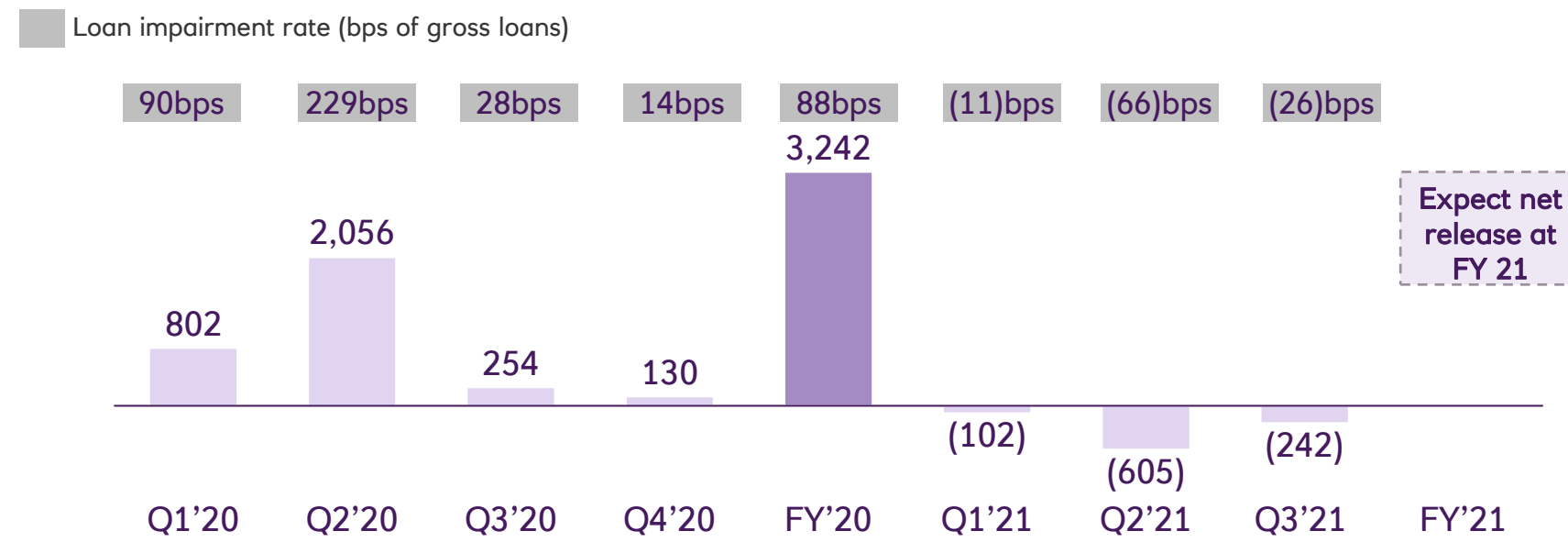
Intelligent and consistent approach to risk

## Impairment release driven by low level of defaults

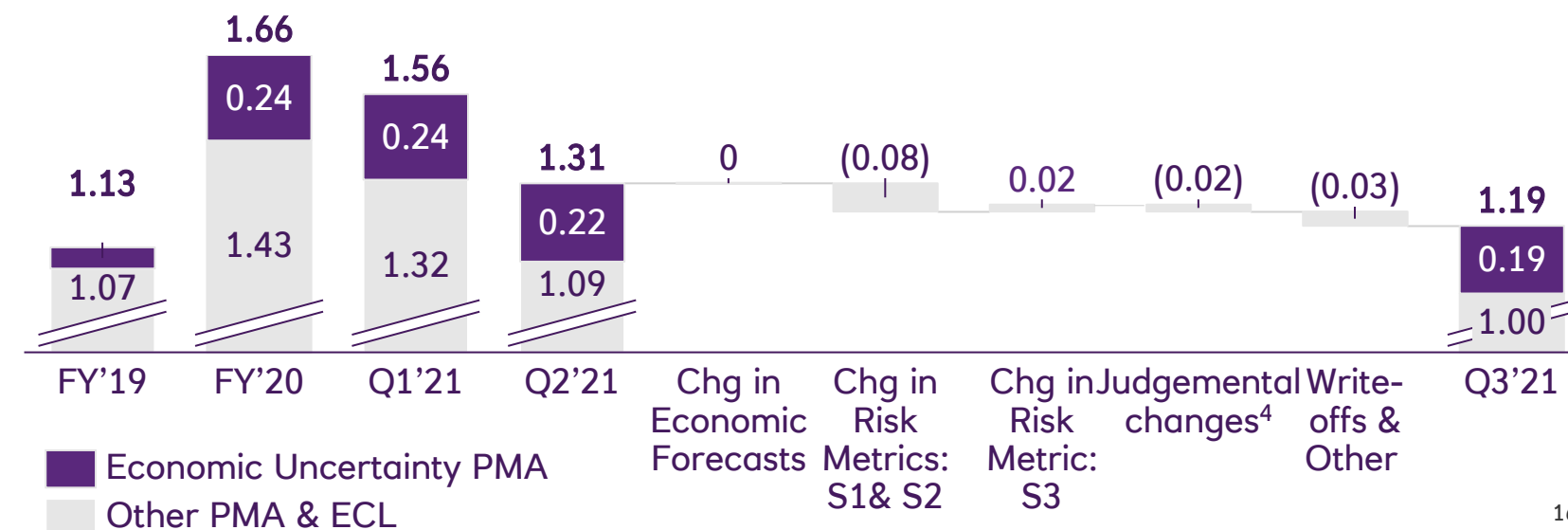
Of the £242m impairment release, £216m driven by Commercial Banking mainly due to strategic reduction in exposure to high risk sectors

ECL coverage reduced to 1.19% due to ECL release. PMA<sup>1</sup> for economic uncertainty has reduced by £105m<sup>2</sup> to £729m

## Impairments charge/ (release), (£m)



## ECL Coverage<sup>3</sup>, %



1. Post Model Adjustments.
2. £54m of the £105m change in the quarter is due to reclassification of Ulster loans agreed to be sold to Allied Irish Banks, p.l.c. as assets held for sale.
3. May not cast due to rounding
4. Changes in total post model adjustments

Robust balance sheet with strong capital & liquidity levels

Strong capital generation in the quarter

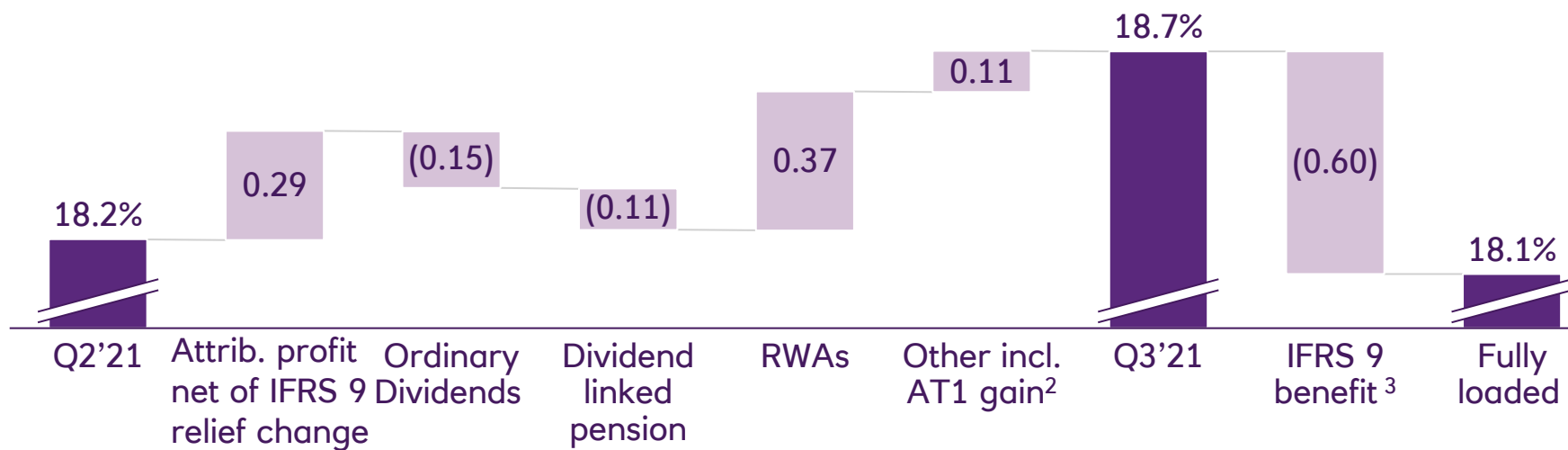
CET1 ratio 18.7% up 50bps on Q2'21 driven by earnings and RWA reduction

RWAs reduced by £3.2bn mainly driven by lower market risk reflecting the model update in NWM

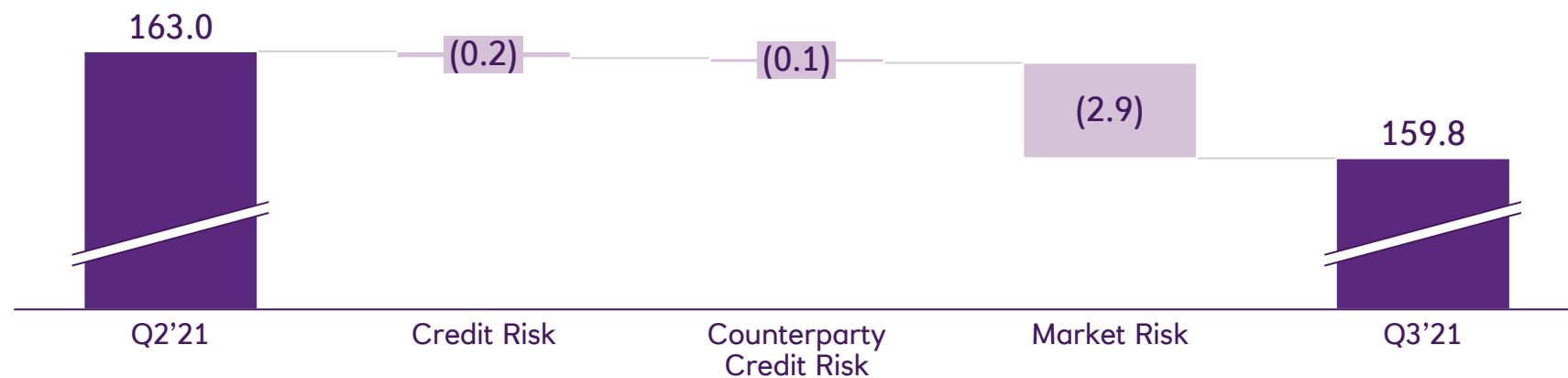
We now expect RWAs to be below our previously guided range of £185-195bn on 1 January 2022

1. May not cast due to rounding.
2. AT1 gain on redemption of capital instruments
3. Including IFRS9 Transitional adjustment at 100% reducing to 75% in 2022.

## CET1, (%)<sup>1</sup>



## RWA, £bn





Strong capital and liquidity positions provide flexibility

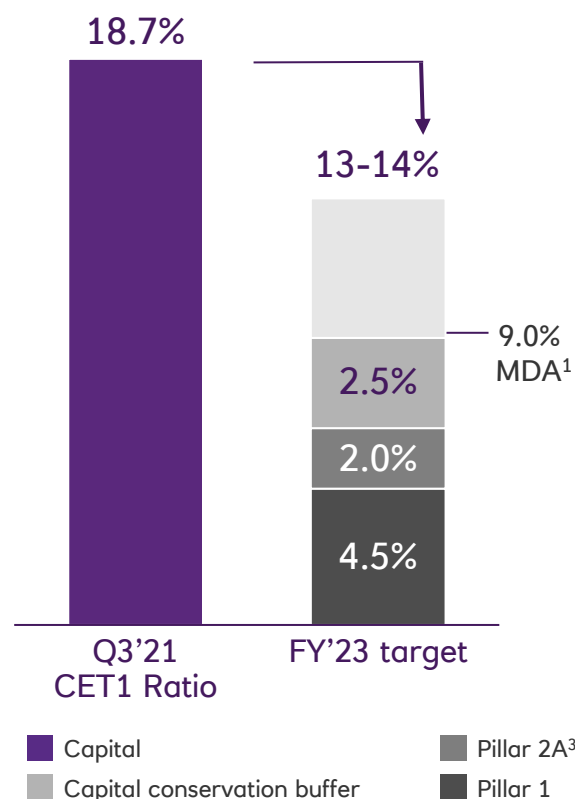
Excellent progress against issuance plans in the quarter with further €1bn senior MREL and €750m Tier 2 issued in Q3

Capital optimisation continued with the call of the NWG 8.625% \$2.65bn USD AT1 in August

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

**470-570 bps**

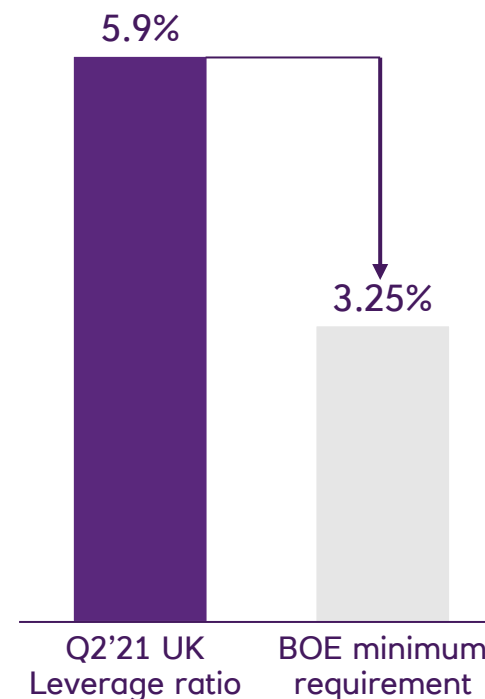
c.£7.5bn – 9.1bn of headroom in Q3'21



Headroom above minimum UK leverage requirements

**265bps**

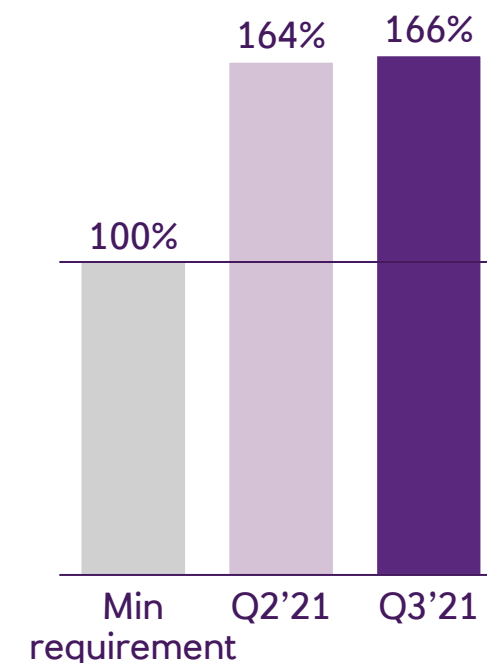
headroom above minimum requirements



Liquidity coverage ratio remains well above min UK requirement

**£79bn**

surplus liquidity over minimum requirement



1. Refer to detailed disclosure in Q3'21 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.





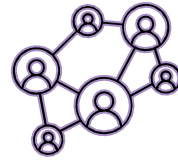
**Alison Rose**  
Chief Executive Officer



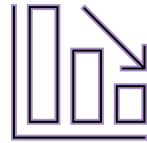
Focused on generating shareholder value through our strategic priorities

We are:

- Generating strong performance
- Supporting our customers and growing Retail and Commercial lending
- Investing to accelerate our digital transformation to better serve our customers



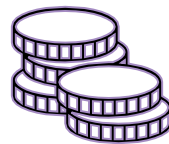
## Growing Lending<sup>1</sup>



## Reducing Cost<sup>2</sup>



## Optimising Capital



## Distributing Excess to Shareholders

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

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



## Q&A







# Appendix

# Guidance

	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	Noting impairment losses in the first half of 2021 were a net release of £707 million, we now expect the 2021 full year impairment loss to be a net release.	n/a
Capital	n/a	CET1 ratio of between 13% to 14% by 2023.
Returns	n/a	9-10% ROTE by 2023
RWA	<p>We now expect NatWest Group RWAs to be below our previously guided range of £185-195 billion on 1 January 2022. This includes on a proforma basis the impact of Bank of England's mortgage risk weight changes and other model changes introduced on 1 January 2022.</p> <p>The impact of the mortgage regulatory changes is expected to be around £15 billion, subject to the timing and quantum of any procyclicality before implementation and based on the H1'21 book size and weighting. The £15 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. 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>	<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, 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	<p>We expect NatWest Markets exit/disposal costs and the impact of Commercial Banking capital management actions to total a combined £150 million in 2021.</p> <p>We no longer expect to achieve the majority of the remaining RWA reduction towards the medium term target in NWM of £20 billion this year.</p>	<p>n/a</p> <p>RWAs c.£20bn in the medium term.</p>
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	<p>NatWest Group aims to distribute a minimum of £1 billion per annum from 2021 to 2023, via a combination of ordinary and special dividends, and intends to commence an ordinary share buy-back programme of up to £750 million in the second half of the year.</p> <p>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.</p>	



# Notable items

£m	Q3'20	Q4'20	FY'20	Q1'21	Q2'21	Q3'21
Metro Bank mortgage portfolio acquisition loss	-	(58)	(58)	-	-	-
FX recycling (loss)/gain in Central items & other	64	(1)	(40)	-	-	-
IFRS volatility in Central items & other <sup>1</sup>	49	45	83	(1)	45	-
Retail Banking Debt Sale Gain	4	1	8	-	-	-
Commercial Banking fair value and disposal (loss)/gain	1	(27)	(37)	(14)	(8)	4
NatWest Markets asset disposals/strategic risk reduction <sup>2</sup>	(12)	(8)	(83)	(4)	(36)	(12)
Own Credit Adjustments (OCA)	(34)	(43)	(24)	2	(2)	2
Share of associate profits /(losses) for Business Growth Fund	(46)	8	(22)	121	8	79
Liquidity Asset Bond sale gain	1	2	113	5	20	45
Loss on redemption of own debt	(324)	-	(324)	(118)	(20)	-
Commercial Banking tax variable lease repricing, NII impact	-	-	-	-	32	-
Ulster Bank Rol gain arising from the restructuring of structural hedges	-	-	-	-	-	35
<b>Notable Items in Total Income - Total</b>	<b>(297)</b>	<b>(81)</b>	<b>(384)</b>	<b>(9)</b>	<b>39</b>	<b>153</b>
Bank Levy	(11)	(156)	(167)	-	-	-
Strategic Costs	(223)	(326)	(1,013)	(160)	(172)	(77)
Litigation & Conduct	(8)	(194)	(113)	(16)	34	(294)
<b>Notable Items in Total Expenses – Total</b>	<b>(242)</b>	<b>(676)</b>	<b>(1,293)</b>	<b>(176)</b>	<b>(138)</b>	<b>(371)</b>
Cost:income ratio – reported <sup>3</sup>	74.5%	92.2%	72.9%	67.8%	63.7%	69.6%
Cost:income ratio – excluding notable items <sup>4</sup>	57.6%	69.2%	60.1%	60.8%	58.8%	59.4%
Return on tangible equity – reported <sup>3</sup>	0.8%	(1.4%)	(2.4%)	7.9%	15.6%	8.5%
Return on tangible equity – excluding notable items <sup>3,4</sup>	5.7%	4.8%	1.2%	9.8%	16.6%	11.5%

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

	GBP, m	Share count, m	Pence <sup>1</sup>
<b>As at 30 June 2021</b>	<b>30,751</b>	<b>11,569</b>	<b>266</b>
Attributable profit	674	-	6
AT1 gain on redemption (reserves)	150	-	1
Cash flow hedge reserve (net of tax)	(177)	-	(2)
Dividend paid	(348)	-	(3)
Share buy-back	(288)	(133)	0
Other	7	-	0
<b>Net change</b>	<b>18</b>	<b>(133)</b>	<b>3</b>
<b>As at 30 September 2021</b>	<b>30,769</b>	<b>11,436</b>	<b>269</b>

# Key Drivers of CET1 ratio<sup>1</sup>: from 18.7% at Q3'21 through to FY'23

Driver	Timing	Impact <sup>2</sup>	Details
Earnings			Target a ROTE of 9-10% by FY'23
Distributions <sup>3</sup> : Dividends	Through to FY'23	c.140bps	Intend to distribute a minimum of £1bn per annum through dividends, £750m accrued through to Q3'21. Impact relates to remaining minimum £2.25bn intention
Direct Buybacks <sup>4</sup>	Through to FY'23	c.140bps	Retain capacity to participate in Direct Buy Backs up to 4.99% in 12-month period; executed £1.1bn in March '21. Impact assumes two further DBBs in 2022 and 2023 in line with Mar'21
On-market buybacks			£750m programme underway, included in Q3'21 CET1 ratio
Dividend-linked pension contributions	Through to FY'22	c.25bps	£1bn of £1.5bn pre-tax contributions outstanding; maximum of £500m per annum accrual in FY'21 and FY'22, £485m accrued through to Q3'21 (£354m post tax)
Lending volumes & RWA procyclicality			RWA consumption is dependent on loan growth and mix Expect to incur inflation due to negative credit rating migration, timing is dependent on economic development
NatWest Markets	Medium term target	+c.65bps	Reflects RWA reduction towards c.£20bn in the medium term, £25.4bn at Q3'21
Ulster Bank Rol	Multi-year	+c.40bps	Impact relates to the binding agreement with AIB for the sale of c.€4.2bn performing commercial loans, estimated at c.€4bn RWAs <sup>5</sup>
Regulation: IFRS 9 unwind	Through to FY'24	c.60bps	£1.0bn benefit at Q3'21 at 100%, will unwind to 75% in FY'22, 50% FY'23, 25% FY'24. Will also be affected by stage migration which remains uncertain
Software intangibles	01/01/2022	c.25bps	Benefit included at Q3'21 that we expect will end on 1 Jan 2022
Mortgage risk-weight inflation	01/01/2022	c.160bps	Expect mortgage risk-weight inflation of around £15bn based on book at Q3'21. Procyclicality may bring part of this forward into 2021.
Model changes	01/01/2022		Other model changes to be introduced on 1 Jan 2022, including SA-CCR
Basel 3 amendments	FY'23	<95bps	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 37 and the Outlook Statement on page 9 of NWG plc FY'20 Company Announcement, page 2 of the NWG plc H1'21 IMS and page 2 of the Q3'21 IMS

2. Impacts are approximate, not to scale and shown on a standalone basis using Q3'21 capital position. These impacts will change quarterly. Combined impacts will not be sum of standalone impact.

3. Distributions are subject to regulatory approvals.

4. DBB 4.99% window reopens on 19 March 2022

5. Refer to [RNS](#) dated 28 June 2021



# Customer Loans<sup>1</sup> and Deposits

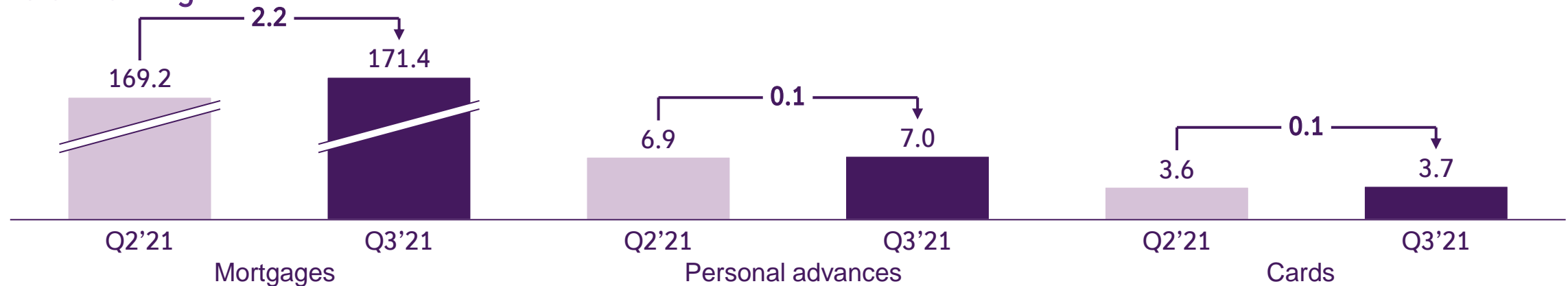
	Loans, £bn <sup>2</sup>		Deposits, £bn	
	Q2'21	Q3'21	Q2'21	Q3'21
Retail Banking	178.1	180.5	184.1	186.3
Private Banking, ex government schemes	17.7	18.1	34.7	35.7
Commercial Banking, ex government schemes	91.1	90.7	176.0	178.3
RBS International	15.1	15.6	33.9	36.9
<b>UK &amp; RBSI Retail and Commercial, Ex Government Schemes</b>	<b>302.0</b>	<b>304.9</b>	<b>428.7</b>	<b>437.2</b>
Scheme Lending	13.0	12.3	0	0
<b>UK &amp; RBSI Retail and Commercial Net Lending / Customer Deposits</b>	<b>315.0</b>	<b>317.2</b>	<b>428.7</b>	<b>437.2</b>
NatWest Markets	6.3	7.1	2.5	2.2
Ulster Bank Rol	16.7	13.2	18.5	18.5
Central	24.7	23.5	17.5	18.4
<b>Net loans to customers / Customer deposits</b>	<b>362.7</b>	<b>361.0</b>	<b>467.2</b>	<b>476.3</b>
Impairment provisions	4.7	4.3		
<b>Gross Loans to Customers</b>	<b>367.4</b>	<b>365.3</b>		

1. Loan balances are amortised cost loans only
2. May not cast due to rounding

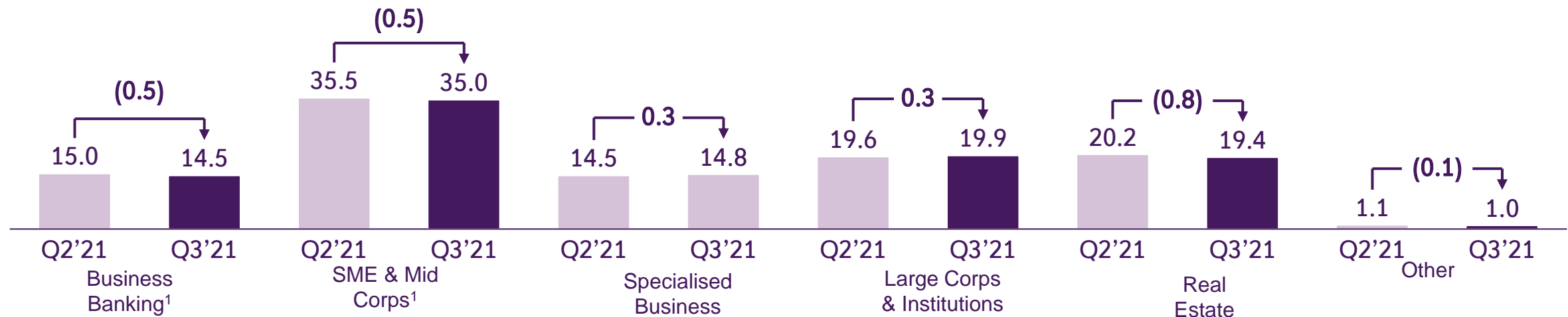
# Q3'21 Customer loan growth by product and sector

Total loans to customers (amortised cost), £bn

## Retail Banking



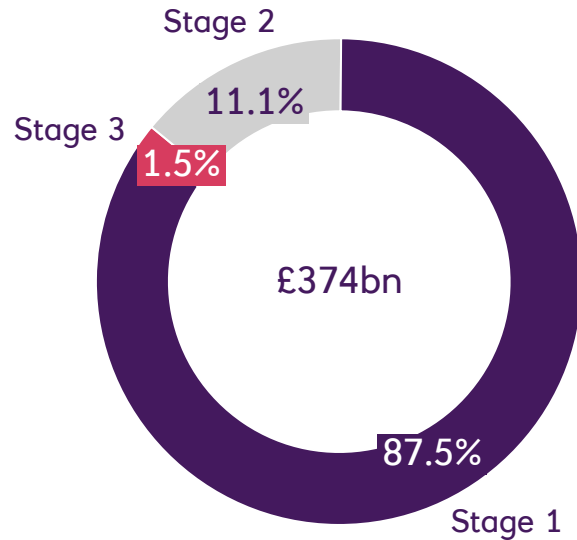
## Commercial Banking



1. EU-Divestment balances integrated within Business Banking and SME & mid corporates in Q2'21, as the Incentivised Switching Scheme (ISS) closed end of June 2021

# Diversified credit risk profile

Gross Loans & Advances by stage<sup>1,2</sup> £bn, Q3'21

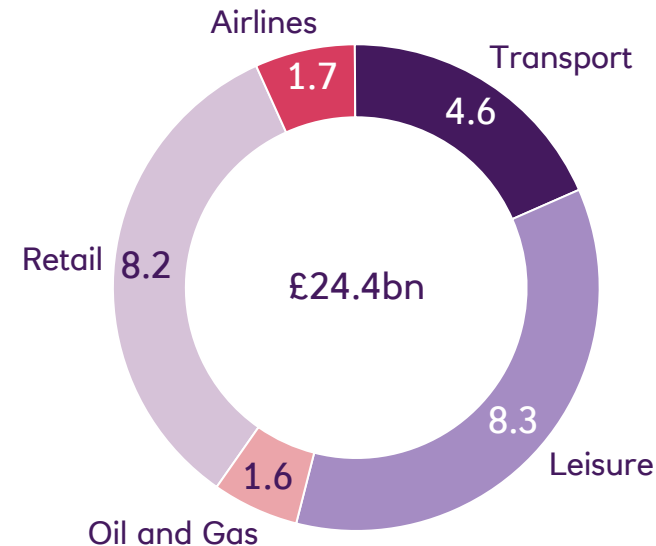


Staging of total loans and advances, Q3'21

Stage	Loans, £bn <sup>1</sup>	ECL, £bn	ECL cov, %
Stage 1	327.1	0.4	0.12
Stage 2	41.5	1.9	4.6
Stage 3	5.4	2.2	40.0
<b>Total</b>	<b>374.0</b>	<b>4.5</b>	<b>1.2</b>
Total Q2'21	375.6	4.9	1.3

Spotlight on sectors in focus for management

Total loans and advances<sup>1,3</sup>, £bn, Q3'21



Staging of sectors in focus for management<sup>2,3</sup>, Q3'21

Stage	Loans, £bn <sup>1</sup>	ECL, £bn	ECL cov, %
Stage 1	14.6	0.0	0.2
Stage 2	9.2	0.5	5.4
Stage 3	0.6	0.3	44.5
<b>Total</b>	<b>24.4</b>	<b>0.8</b>	<b>3.3</b>
Total Q2'21	25.7	0.9	3.5

1. Loans – amortised cost and FVOCI., see page 21 of the NWG Q3'21 IMS

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 page 21 of the NWG Q3'21 IMS

# Impairment charge/(release) by segment

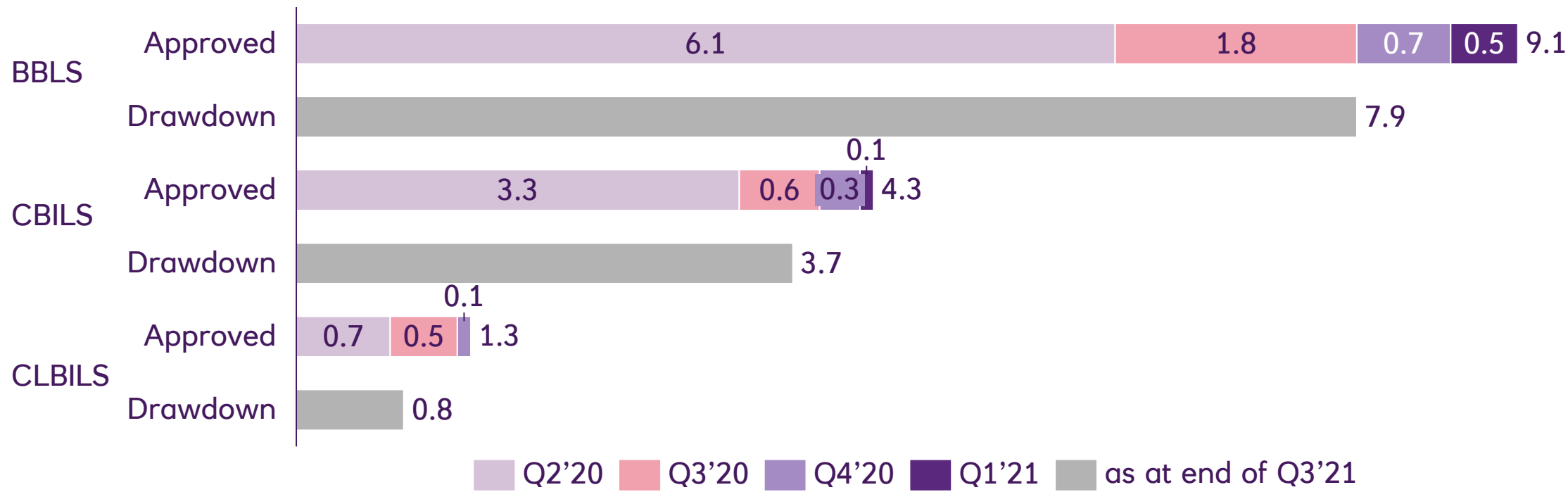
	Retail Banking	Private Banking	Commercial Banking	RBSI	Ulster Bank Rol	Natwest Markets	NatWest Group
Q3'21 (£m)	16	(15)	(216)	(11)	(16)	(3)	(242)
Q3'21 (bps)	4	(32)	(83)	(28)	(47)	n.m.	(26)
Q2'21 (£m)	(91)	(27)	(451)	(27)	1	(10)	(605)
Q2'21 (bps)	(20)	(60)	(170)	(71)	2	n.m.	(66)



# Supporting our customers through Covid-19

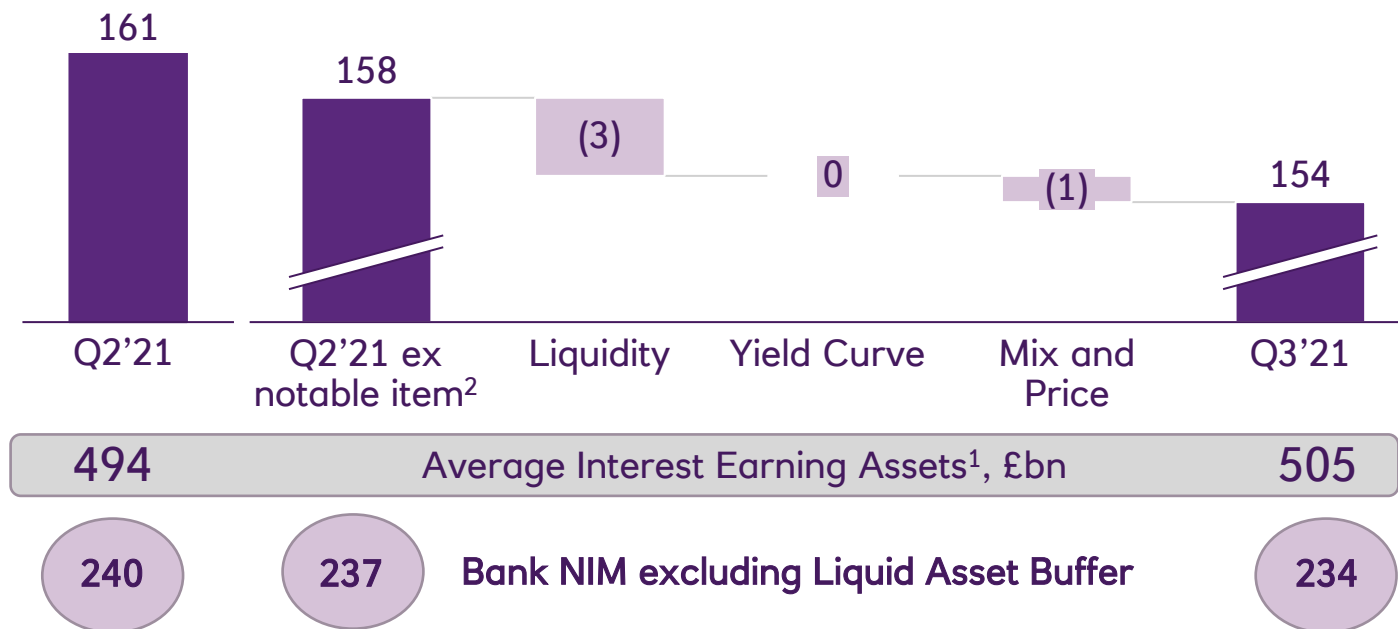
- £0.7bn of net government scheme repayments in Q3, £0.4bn related to BBLS

Government Lending Scheme in NWG, £bn<sup>1</sup>



1. The chart captures Gov schemes NatWest group, the previous disclosures were Commercial only. BBLS, CBILS and CLBILS have closed for new applications as at end of Q1'21

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



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

# Delivering on our Areas of Focus<sup>1</sup>, 9M'21 progress

<b>ENTERPRISE</b> The biggest supporter of enterprise in the UK & Ireland	43k individuals or business supported through enterprise programmes, with >148k interventions 516 entrepreneurs in the current accelerator cohort, 44% female Coutts has collaborated with the Business Growth Fund to provide additional funding, growth capital and support to small and medium sized enterprises (SMEs) Delivered £2.1bn, 35% of overall £6bn 2021 funding commitment to support SMEs to scale and grow <sup>2</sup>
<b>LEARNING</b> Enhancing financial capability and the skills of our colleagues	5m Financial capability interactions, of which 750k financial health checks 377k people helped to start saving As part of our strategy to help families and young people manage their money more effectively, we acquired the fintech business RoosterMoney, whose pocket money app aims to build money confidence and financial capability from an early age
<b>CLIMATE</b> A leading bank in the UK & Ireland helping to address the climate challenge	£23.4bn Climate and Sustainable Funding and Financing since Jan'20, including £3.6bn Green Wholesale lending, £11.1bn across Green bond public issuances, Green private placements and Green loan underwriting, £5.0bn across Sustainability Linked Loans, Bonds and Private Placements and £0.5bn Residential Mortgages with EPC A or B Retail Banking completed Green Mortgages <sup>3</sup> with a value of £565m during 9M'21. The Green Mortgage purchase product was launched in Oct'20 and the Green remortgage product was launched in Jul'21 NatWest Group is a founding member of the Net Zero Banking Alliance; Coutts joined the Net Zero Asset Managers initiative and obtained B Corp certification NatWest Group is the principal banking partner of COP26

1. Please read our [Q3 2021 Climate, Purpose and ESG measures supplement](#) for more complete information, definitions and cautions  
2. This is as at H1'21. £2.1bn is Gross New Lending, excluding Government lending schemes, in H1 to those SME customers in scope of the fund, predominantly SMEs outside of London.  
3. Aligned to the World Green Building Council definition premised on EPC A and B energy efficiency ratings.

# Structural Hedge<sup>1</sup>

	H1 2021					H1 2020				
	Incremental Income (£m)	Total Income (£m)	Period end notional (£bn)	Average Notional (£bn)	Total Yield %	Incremental Income (£m)	Total Income (£m)	Period end notional (£bn)	Average Notional (£bn)	Total Yield %
Equity structural hedging	235	244	23	23	2.13	209	294	24	25	2.39
Product structural hedging	360	412	146	135	0.61	146	503	114	112	0.90
Other Structural hedges	74	62	21	22	0.56	42	78	20	20	0.78
Total	669	718	190	180	0.80	397	875	158	157	1.12



# Interest rate sensitivity

H1 2021	+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	39	127	215	(39)	(127)	(215)
Managed Margin	414	365	287	(374)	(420)	(395)
Other	(3)	-	-	7		
Total	450	492	502	(406)	(547)	(610)

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)

# Economic Assumptions<sup>1</sup>

	H1'21				FY'20			
Scenario	Upside	Base Case	Downside	Extreme downside	Upside	Base Case	Downside	Extreme downside
Weighting	35%	40%	20%	5%	20%	40%	30%	10%
UK GDP – Annual Growth (%)								
2021	10.1	7.3	2.7	0.1	9.0	4.5	2.6	(4.6)
2022	5.4	5.8	4.3	-	2.6	4.2	4.6	6.1
5 year Average	3.9	3.5	2.9	2.5	3.6	3.1	2.8	1.3
UK Unemployment rate – annual average								
2021	4.7	5.3	5.4	5.9	5.6	6.3	8.5	12.3
2022	4.3	4.8	7.0	11.8	4.5	6.3	7.7	12.0
5 year Average	4.1	4.6	5.8	8.1	4.4	5.7	7.1	9.7
UK House Price Inflation – four quarter growth								
2021	8.0	2.0	(2.4)	(5.4)	2.2	(3.0)	(7.4)	(26.9)
2022	1.7	0.5	(3.0)	(27.0)	1.7	3.6	6.5	5.1
5 year Average	4.3	2.6	0.9	1.1	2.4	1.7	1.9	(1.6)
UK Commercial Real Estate Price – four quarter growth								
2021	7.0	(1.4)	(8.4)	(13.4)	2.6	(2.6)	(15.9)	(26.6)
2022	2.1	2.0	(1.3)	(18.2)	0.3	5.7	10.8	3.2
5 year Average	2.7	1.0	0.1	(1.1)	1.1	0.9	0.2	(3.2)

1. Full details of the economic assumptions can be found on page 20 to 23 of the NWG H1'21 IMS

## Cautionary and Forward-looking statements

The guidance, targets, expectations and trends discussed in this presentation represent NatWest Group management’s current expectations and are subject to change, including as a result of the factors described in the “Summary Risk Factors” on pages 112-113 of the NatWest Group plc H1 IMS and the “Risk Factors” on pages 345-362 of the NatWest Group plc 2020 Annual Report and Accounts.

### 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 ROE) 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, RWAs, 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 product 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 Promoter 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, the phased withdrawal from the Republic of Ireland 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).

### Caution about climate and sustainable funding and financing (CSSF) information.

CSSF activities and their classification and reporting are still not subject to a single recognised or accepted, consistent and comparable set of definitions or standards in the UK or globally. The CSSF information we report may not meet investor expectations or requirements for describing or classifying CSSF activities as "green" or "sustainable" or having similar classifications (including alignment with existing or proposed standards, such as the EU Taxonomy, EU SFDR and EU GBS). Preparation our CSSF information including reporting on CSFF activities against the £100 billion CSFF target referenced in the slides requires the application of a number of key judgements, assumptions and estimates that may subsequently prove to be incorrect. In addition, the maturity of underlying data, systems and controls that support such reporting is generally considerably less sophisticated than the systems and internal controls for financial reporting and it also includes manual processes.

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.