NatWest Group plc
Investor Factbook
H1 2021

NatWest Group

Delivering against our strategic priorities to drive sustainable returns for shareholders

- Sustainable growth with an intelligent approach to risk
- Simplification and cost efficiency
- Powering our strategy through innovation, partnership and digital transformation
- Portfolio discipline and effective deployment of capital

DOING THE RIGHT THING · SERVING CUSTOMERS · THINKING LONG-TERM · WORKING TOGETHER

Our Purpose

We champion potential, helping people, families and businesses to thrive

Supporting customers at every stage of their lives

Powered by partnerships & innovation

Sharpened capital allocation

Simple to deal with

Our Targets

Lending growth above market rate through to 2023[1]

c.4% Cost reduction per annum through to 2023[2]

CET1 ratio of 13-14% by 2023

ROTE of 9-10% by 2023

Balancing the needs of our customers, colleagues, communities and shareholders. When they succeed, so will we.

Our initial areas of focus:

Climate | Learning | Enterprise

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.

H1'21 Results Highlights

- Good H1'21 performance, increasing shareholder distributions
- Supporting our customers through the recovery with £4.1bn net lending growth[1]
- Delivering against our targets to drive sustainable returns for shareholders
- Increasing our minimum dividend to £1bn and announcing £750m on-market buyback bringing FY'21 distributions to minimum of c.£2.9bn[2]

H1'21 performance

£2,505m
Operating profit before tax in H1'21, up from £0.8bn loss in H1'20

£707m
Impairment release in H1'21 (38bps) of customer loans vs. £2,858m charge in H1'20 159bps of customer loans

£1,842m
Attributable profit in H1'21, compared to £0.7bn loss in H1'20

Delivering against our targets

2.8%
Net Lending Growth[1] on an annualised basis, up £4.1bn on FY'20

5.9%
Cost reduction[3] of £185m in H1'21 vs. H1'20

18.2%
CET1 Capital Ratio in line with Q1 Includes 73bps of IFRS 9 transitional relief

Shareholder distributions

£1bn
Minimum annual dividend up from £800m; £500m accrual included in 18.2% CET1 ratio

£750m
On-market buy-back included in 18.2% CET1 ratio

£1.1bn
Directed buy-back in Mar'21 4.99% window reopens in March 2022

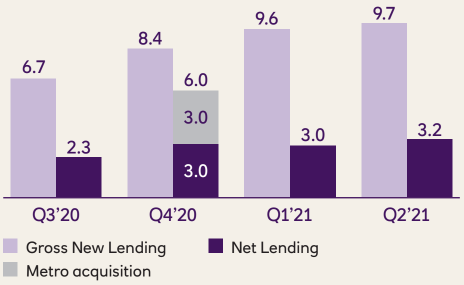
1. Net lending to customers across the UK and RBSI retail and commercial businesses, excluding UK Government lending schemes.
2. Shareholder distributions include minimum dividends of £1,000m, on-market buyback of up to £750m and Directed Buy Back of £1,125m.
3. Other expenses, excluding OLD and Ulster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

The guidance, targets, expectations and trends discussed in this document represent management's, current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 112-113 of the NWG H1 IMS and pages 345-362 of the NWG 2020 Annual Report and Accounts, as well as the Risk Factors on pages 48-49 of the NWM H1 IMS and pages 156-172 of the NWM 2020 Annual Report and Accounts. These statements constitute forward-looking statements.

Supporting our customers through the recovery

Mortgage lending[1]

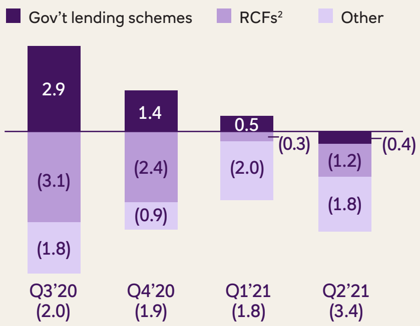
Retail Banking gross new mortgage lending & net mortgage balance growth (£bn)



Retention rate of ~79% in Q2'21

Commercial Banking lending

(change in period, £bn)



Total change in Gross Commercial Loans

1. Data relates to Retail Banking. 2. RCF – Revolving Credit Facility

- Debit and credit card spending improved through Q2, credit card balances up £0.1bn (3%) in the quarter[1]
- Strong and improving new mortgage lending
- Corporate deleveraging continues with net government scheme repayments in Q2
- Credit quality remains strong and we see growth opportunity as the economy recovers
- ~5% of Bounce Back Loans (BBLS) customers have repaid in full and ~5% requesting further payment holidays.
- Of the BBLS customers due to start repayment ~92% are repaying on or ahead of schedule.

Accelerating digital transformation to deliver income growth and drive cost efficiencies

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

60%[1]
of retail customer base exclusively use digital channels to interact with us.

11.7k
weekly video appointments in H1'21 compared to 800 in H1'20[2].

8m
active mobile users in H1'21 compared to 7.3m in H1'20[3].

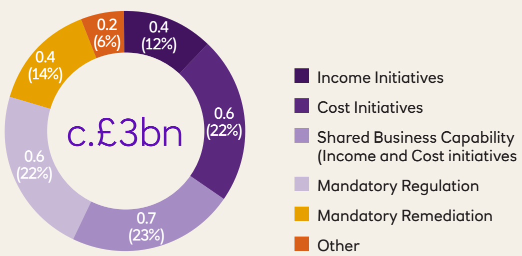
5.7m
artificial intelligence Cora conversations in H1'21 compared to 4.2m in H1'20[4].

44%
of Cora conversations required no human intervention in H1'21, up from 31% in H1'20[5]

1 Retail Banking based on the average for the last month of the period.
2. Across Retail Banking based on the average number of appointments per week in the period.
3. Across Retail Banking and Business Banking at the end of period.
4. Across Retail and Commercial Banking, total interactions.
5. Retail Banking only.

Simplification and cost efficiency

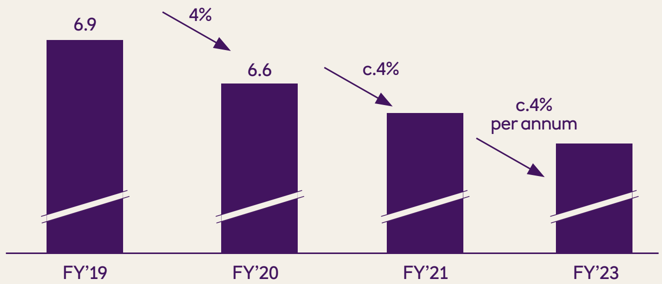
Investment spend[1], FY'21-FY'23



- Investment increasingly focused on delivering income and cost benefits.
- We will invest £3bn over the next three years to support the One Bank strategy.
- c.80% of investment relates to Digital and Technology programmes.

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

Other expenses[2], £bn



- 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.
- Higher quality investment spend drives greater cost benefits and supports ongoing cost reduction.

2. Total expenses excluding litigation and conduct costs, strategic costs, operating lease depreciation and the impact of the phased withdrawal from the Republic of Ireland.

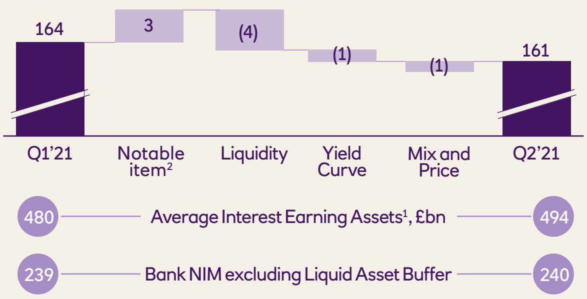
Q2 2021 key financials

Results by business

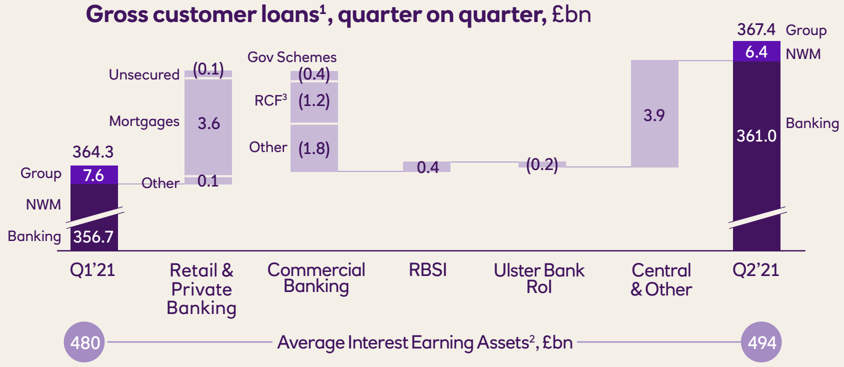
Income statement	Retail Banking (£m)	Private Banking (£m)	Commercial Banking (£m)	RBS International (£m)	NatWest Markets (£m)	Ulster Bank RoI (£m)	Central items & other[1] (£m)	Total NatWest Group (£m)	Total NatWest Group Q1'21 (£m)
Net interest income	1,003	117	665	93	4	93	10	1,985	1,931
Other non-interest income	91	66	317	40	103	26	34	677	726
Own credit adjustments	–	–	–	–	(1)	–	(1)	(2)	2
Total income	1,094	183	982	133	106	119	43	2,660	2,659
Other Expenses	(545)	(120)	(505)	(52)	(216)	(130)	–	(1,568)	(1,639)
Strategic costs	(48)	8	(27)	(3)	(71)	(2)	(13)	(172)	(160)
Litigation and conduct costs	(7)	–	(37)	–	2	(4)	80	34	(16)
Operating expenses	(600)	(128)	(569)	(55)	(285)	(136)	67	(1,706)	(1,815)
Operating profit/(loss) before impairment releases/(losses)	494	55	413	78	(179)	(17)	110	954	844
Impairment releases/(losses)	91	27	451	27	10	1	–	605	102
Operating profit/(loss)	585	82	864	105	(169)	(18)	110	1,559	946
Return on equity[2]	32.0%	15.9%	29.3%	22.1%	(12.1)%	(4.3%)	nm	na	na
Cost:income ratio[3]	54.8%	69.9%	56.4%	43.8%	268.9%	114.3%	nm	63.7%	67.8%
Net loans to customers – amortised cost (£bn)	178.1	18.0	103.8	15.1	6.3	16.7	24.7	362.7	358.7
Loan impairment rate	(0.20%)	(0.60%)	(1.70%)	(0.38%)	nm	0.2%	nm	(0.66%)	(0.11%)
Risk-weighted assets (RWAs) (£bn)	35.6	11.2	69.5	7.6	26.9	10.5	1.7	163.0	164.7

1 Central items & other includes unallocated transactions, including volatile items under IFRS.
2 NatWest Group plc CET1 target is 13% – 14% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit or loss adjusted for preference share dividends and tax, is divided by average notional tangible equity allocated at different rates of 14.5% (Retail Banking – 15% prior to Q1 2020), 12.5% (Private Banking – 13% prior to Q1 2020), 11.5% (Commercial Banking – 12% prior to Q1 2020), 16% (RBS International), 15% (NatWest Markets) and 15.5% (Ulster Bank RoI – 15% prior to Q1 2020), of the period average of segmental risk-weighted assets equivalents (RWAe) incorporating the effect of capital deductions. NatWest Group plc return on equity is calculated using profit for the period attributable to ordinary shareholders.
3 Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation. (H1 2021 – £70 million; Q2 2021 – £35 million; Q1 2021 – £35 million; H1 2020 – £73 million and Q2 2020 – £37 million).

Bank Net Interest Margin bps[1]



Gross customer loans[1], quarter on quarter, £bn



Net interest income support from mortgage growth

- Increased liquidity depresses Bank NIM, however excluding this trends are broadly stable.
- Structural hedge impact moderates to –1bp in Q2.

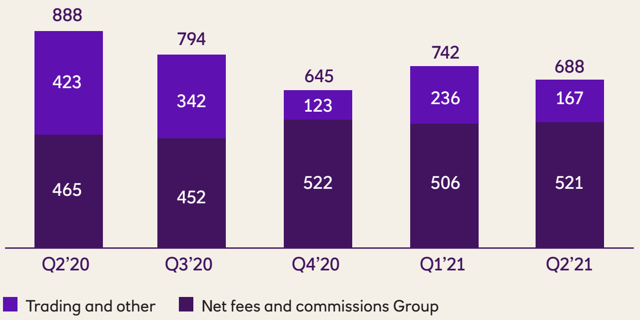
1. Bank net interest margin and Bank average interest earning assets exclude NWM from NatWest Group plc figures.
2. One-off in Commercial Banking related to tax variable lease repricing following the enactment of future corporation tax rate changes (+£32m or +3bps).

Loan book growing in the quarter

- Gross banking loans +1.2% in the quarter including £1bn growth across UK & RBSI Retail & Commercial businesses, ex govt. schemes.
- Strong mortgage growth partly offset by commercial deleveraging with government lending scheme net repayments of £0.4bn.

1. May not cast due to rounding.
2. Bank average interest earning assets = NatWest Group plc excluding NWM.
3. Revolving credit facilities for our Commercial Banking customers.

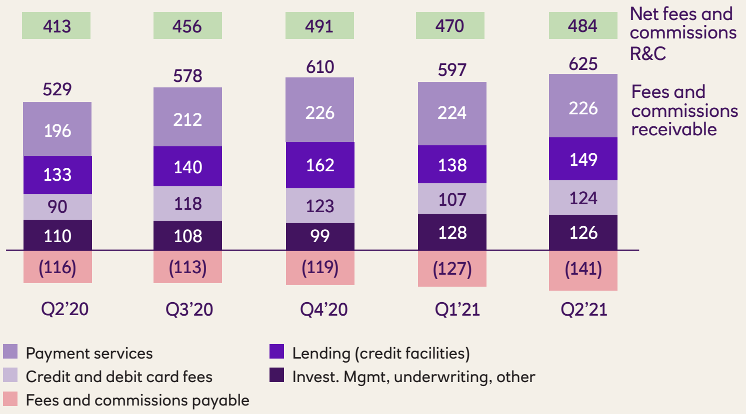
Non Interest Income[1] £m



- Non-interest income impacted by lower trading income.
- NatWest Markets[1] income down 25% over Q1'21 to £143m due to weaker Fixed Income performance and ongoing reshaping of the business.

1. Excluding relevant notable items.
2. Retail & Commercial Businesses' Fees and Commissions are calculated as NatWest Group plc excluding NatWest Markets, central items and other.

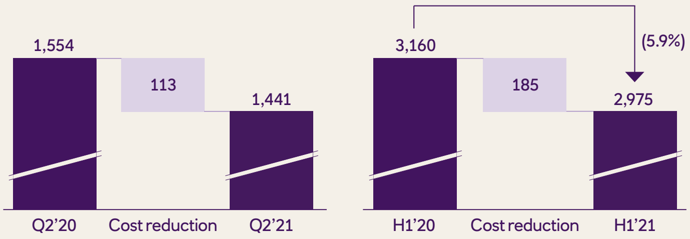
Retail & Commercial Businesses' Fees and Commissions[2] £m



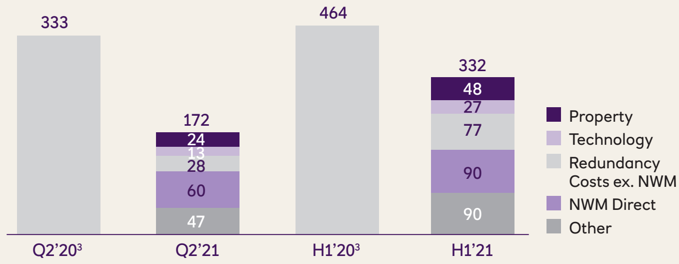
- Retail & Commercial net fees and commissions up £14m or 3% over Q1'21 including £12m of one-offs in Retail Banking.

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

Other expenses ex Operating Lease Depreciation and Ulster ROI Direct[2], £m



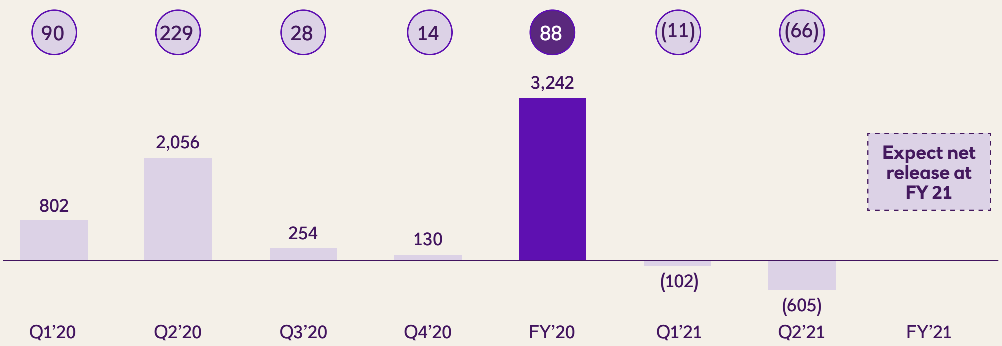
Strategic costs, £m



1. Reduction of £185m in Other expenses ex Operating Lease Depreciation and Ulster Bank RoI Direct.
2. Other expenses excluding Operating Lease Depreciation (OLD) and Ulster Bank RoI Direct Cost. Operating Lease Depreciation £35m in H1'21, £37m in Q2'20. Ulster Bank RoI Direct costs of £92m in H1'21, £70m in Q2'20.
3. Q2'20 and H1'20 breakdown not disclosed.

Impairments charge/(release) £m

Loan impairment rate (bps of gross loans)

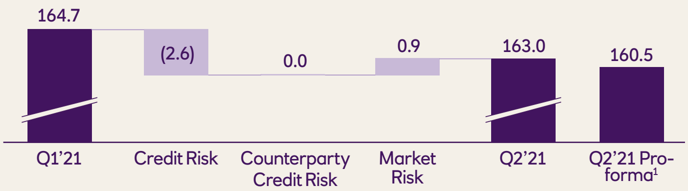


Intelligent and consistent approach to risk

- Impairment release resulting from an improvement of the economic outlook.
- Updated economic assumptions with re-weighting of our scenarios.
- Our base case now assumes UK GDP growth of 7.3% in 2021, up from 4.5% previously.
- We now expect a net impairment release for the full year 2021.

Actively managing capital

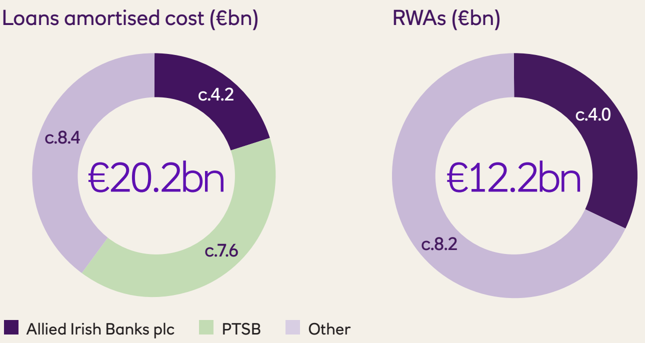
RWA, £bn



1. RWA proforma for model change approval received in July 2021, benefit of £2.5bn.

- 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.
- Legacy capital stack managed to optimise regulatory efficiency.
- NatWest Markets RWAs at £24.4bn[1], down £2.1bn on Q1'21.

Ulster Bank RoI, H1'21



- Good progress on our phased withdrawal from the Republic of Ireland[2].
- Entered a binding agreement with AIB[2] for the sale of c.€4.2bn gross performing commercial loans[3].
- Entered a non-binding MoU with PTSB[2] for the sale of c.€7.6bn gross performing retail and SME loans[4].
- Cost reduction will follow with a lag as we support our employees and customers purposefully through the journey.
- There will be costs to exit and decommission.
- We expect NWG's withdrawal from the Republic of Ireland to be capital accretive over the multi-year process.

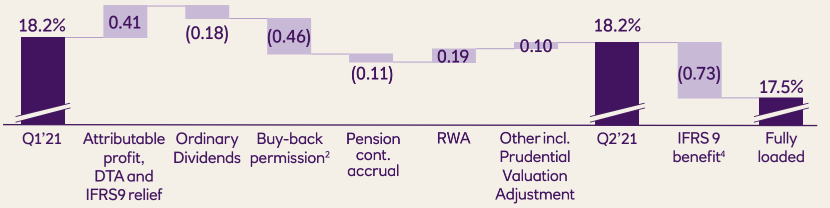
1. H121 RWA shown proforma for model change approval received in July 2021, benefit of £2.5bn. See page 11 in the NWG H1'21 IMS.
2. Completion of each proposed sale is subject to obtaining regulatory and other approvals and in the case of Permanent signing definitive sale agreements. Completion may not occur when contemplated or at all.
3. AIB = Allied Irish Banks plc, agreement includes associated undrawn exposures of c.€2.8bn, all subject to regulatory approval.
4. MoU = Memorandum of Understanding, PTSB = Permanent TSB;, proposed sale of a perimeter comprising performing non-tracker mortgages, performing Micro-SME loans, UBIDAC's asset finance business and a subset of its branch locations.

Strong capital position

- We have shaped a business that can operate at a CET1 ratio of between 13% to 14% by FY'23[1].
- Shareholder distributions are a key driver of our path to 13-14%. We are increasing our minimum dividend to £1bn and announcing £750m on-market buyback bringing FY'21 distributions to minimum of c.£2.9bn[2].
- We now expect RWAs to be below or at the lower end of our previously guided range of £185-195bn on 1 January 2022.
- This includes c.£15bn of RWA inflation due to the mortgage book[3].

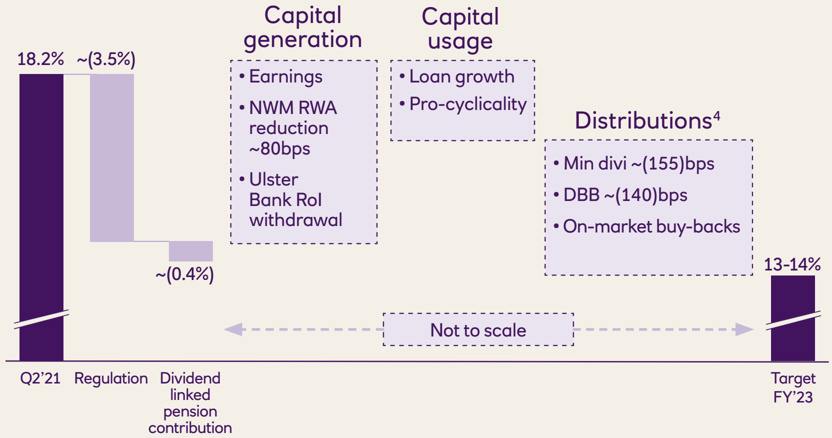
1. This presentation contains forward looking statements, please see Forward Looking Statements on slide 41 of the H1'21 NWG slides and the Outlook Statement on page 2 of the NWG H1'21 IMS.
2. Shareholder distributions include minimum dividends of £1,000m, onmarket buyback of up to £750m and Directed Buy Back of £1,125m. Distributions are subject to regulatory approvals. "Directed" buy backs post March'22 only
3. £15bn equates to c.15% risk weights on the mortgage book as at Q2'21.
4. Including IFRS9 Transitional adjustment at 100% reducing to 75% in 2022.
5. Impacts are approximate, not to scale and shown on a standalone basis using Q2'21 capital position. These impacts will change quarterly. Combined impacts will not be sum of standalone impact. For more details see slide 31 of the NWG H1'21 slide presentation.
6. Distributions are subject to regulatory approvals."Directed" buy backs post March'22 only.

CET1, (%)*



* May not cast due to rounding

Key drivers of CET1 ratio[5,6]



Our investment case: 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 through our strategic priorities**
- **Generating good performance**
- **Supporting our customers and growing Retail and Commercial lending**
- **Investing to accelerate our digital transformation to better serve our customers**

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

420-520bps or c.£6.8bn-8.5bn headroom to target CET1 ratio in Q2'21 and more than double our Maximum Distributable Amount.

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

Returning capital to shareholders.

NatWest Group plc intends to maintain ordinary dividends of around 40% of attributable profit and aims to distribute a minimum of £1bn per annum from 2021 to 2023 via a combination of ordinary and special dividends.

ESG Ratings and Benchmarks[1]

ESG Rating	Scale[2]:	2019:	2020:	July 2021[3]:
MSCI	AAA to CCC	BBB	▲ AA	AA
Sustainalytics Risk Rating	1-100 Negligible to Severe	27.7 Medium risk	▲ 20.5 Medium risk	▲ 17.0 Low risk

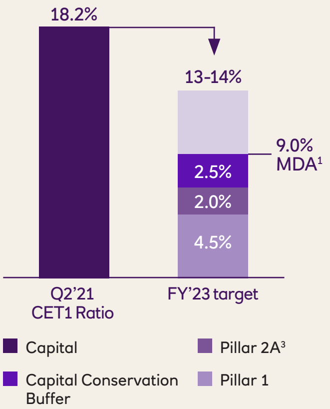
[1]Data only tracked against select initiatives which included those focused on female and social purpose-led entrepreneurs. [2]ESG ratings on this page are: (i) unsolicited; (ii) subject to the assessment and interpretation by the ESG rating agencies; (iii) provided without warranty (iv) not a sponsorship, endorsement, or promotion of NatWest Group plc by the relevant rating agency. [3]Highest to lowest scale.

Robust capital and liquidity positions

CET1 headroom above medium term target[1,2]

420-520bps

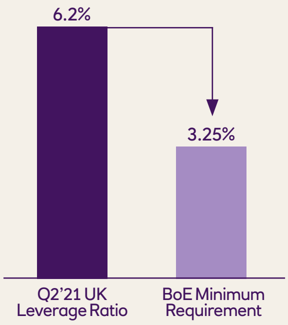
c.£6.8bn – 8.5bn of headroom in Q2'21



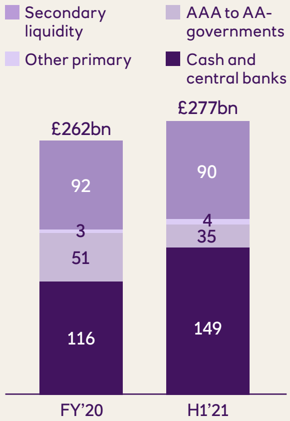
Headroom above minimum UK leverage requirements

295bps

headroom above minimum requirements



High quality liquidity pool

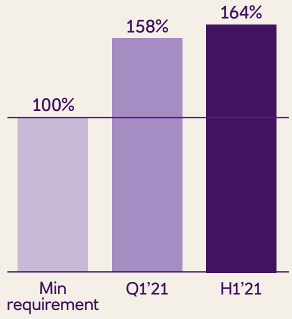


£187bn in primary liquidity with mix of cash and high quality sovereign bonds

Liquidity coverage ratio remains well above min UK requirement

£75bn

surplus liquidity over minimum requirement



Liquidity coverage ratio remains well above min UK requirement

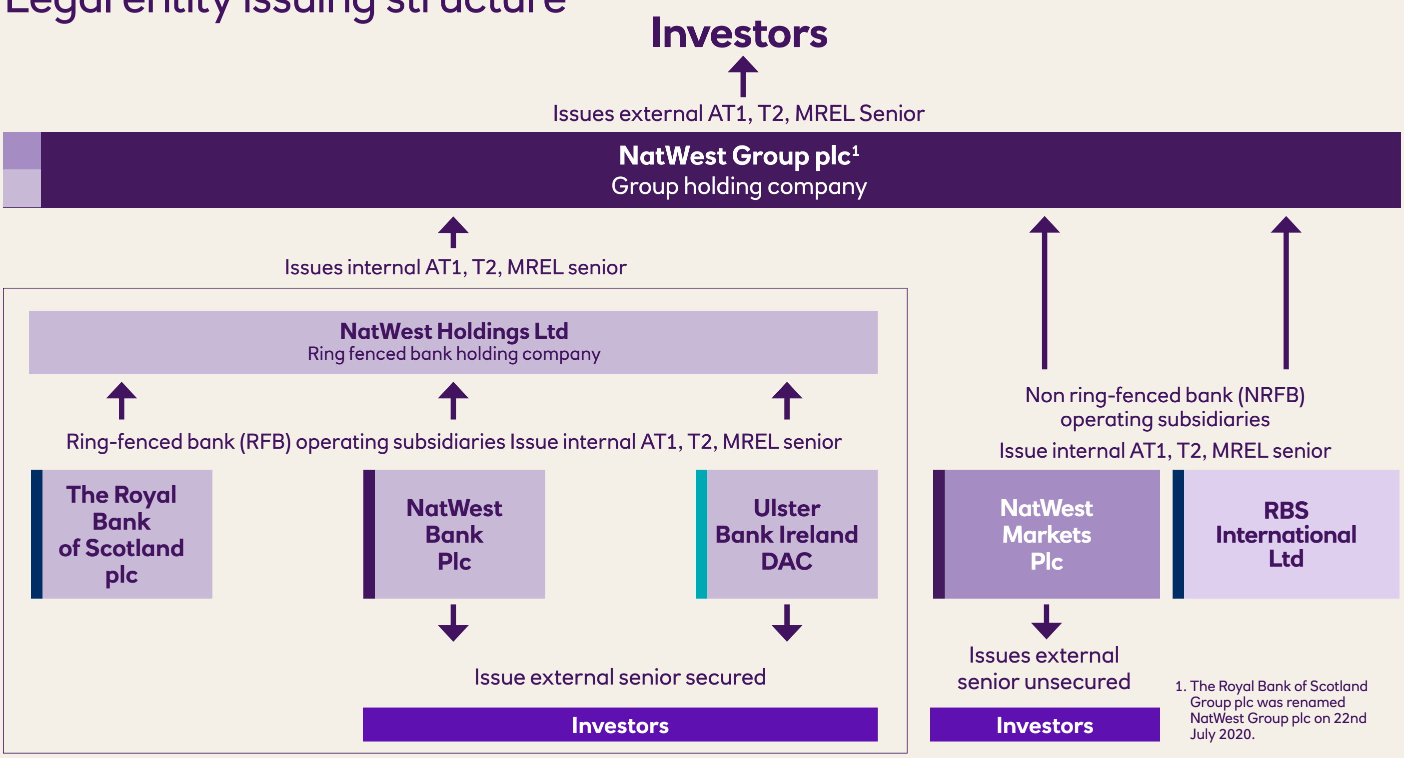
1. Refer to detailed disclosure in H1'21 IMS. Headroom presented on the basis of target CET1, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future.
2. Based on assumption of static regulatory capital requirements.
3. NatWest Group plc's Pillar 2A requirements 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.

Credit ratings[1]

	Moody's	S&P	Fitch
Group holding company			
NatWest Group plc	Baa1/Pos	BBB/Sta	A/Sta
Ring-fenced bank operating companies			
NatWest Bank Plc	A1*/A1/Sta	A/Sta	A+/Sta
Royal Bank of Scotland plc	A1*/A1/Sta	A/Sta	A+/Sta
Ulster Bank Ireland DAC	A3*/Baa1/RuR	A-/Sta	BBB+/Sta
Non ring-fenced bank operating companies			
NatWest Markets Plc	A2/Pos	A-/Sta	A+/Sta
NatWest Markets N.V.	A2/Pos	A-/Sta	A+/Sta
RBSI Ltd	A3/Sta	A-/Sta	A/Sta
NatWest Markets Securities Inc	–/–	A-/Sta	A/Sta

1. Ratings as of 04/08/2021. * Moody's Long-Term Bank Deposit Ratings

Legal entity issuing structure



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