NatWest Group

# H1 2021 Results

## Fixed Income Investors

30th July 2021

**Katie Murray**

Chief Financial Officer

## 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**

**In-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.

# 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


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.

# Delivering on our Areas of Focus[1]

Exceeded the 2020-2021 £20bn target for Climate & Sustainable Funding and Financing

ESG Ratings[2]

- Sustainalytics rating: upgraded to 17.0 (low risk) from 20.5 (medium risk) in July 2021
- MSCI rating: AA
- CDP rating: A-

1. H1'21 Climate, Purpose and ESG supplement
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 by the relevant rating agency. Ratings as of 29/07/2021, the CDP score is from the 2020 submission.
3. £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
4. Including the underwriting of two loans that meet the CSFI criteria (£153m)
5. Aligned to the World Green Building Council definition premised on EPC A and B energy efficiency ratings

## H1'21 progress

| | |
|---|---|
| ENTERPRISE<br>The biggest supporter of enterprise in the UK & Ireland | 35.1k individuals or business supported through enterprise programmes, with >87k interventions<br>725 entrepreneurs in the current accelerator cohort, 42% female<br>Coutts has collaborated with the Business Growth Fund to provide additional funding, growth capital and support to small and medium sized enterprises (SMEs)<br>Delivered £2.1bn, 35% of overall £6bn 2021 funding commitment to support SMEs to scale and grow[3] |
| LEARNING<br>Enhancing financial capability and the skills of our colleagues | 1.5m Financial capability interactions, of which 515k financial health checks<br>273k people helped to start saving<br>Launched Career Sense, a new programme to support 13-24 year-olds, aiming to reach over 10,000 young people this year |
| CLIMATE<br>A leading bank in the UK & Ireland helping to address the climate challenge | £21.5bn Climate and Sustainable Funding and Financing, including £3.4bn green Wholesale lending, £10.6bn, green bond public issuances and green private placements[4] and £4.3bn Sustainability Linked Loans<br>Playing an active role in tackling climate change collaborating with Microsoft, Octopus Energy and CoGo4<br>Retail Banking completed Green[5] Mortgages with a value of £431 million during H1 2021<br>NWG founding member of the Net Zero Banking Alliance; Coutts joined the Net Zero Asset Managers initiative and obtained B Corp certification |

# Supporting our customers through the recovery

Debit and credit card spending improved through Q2, credit card balances up £0.1bn (3%) in the quarter

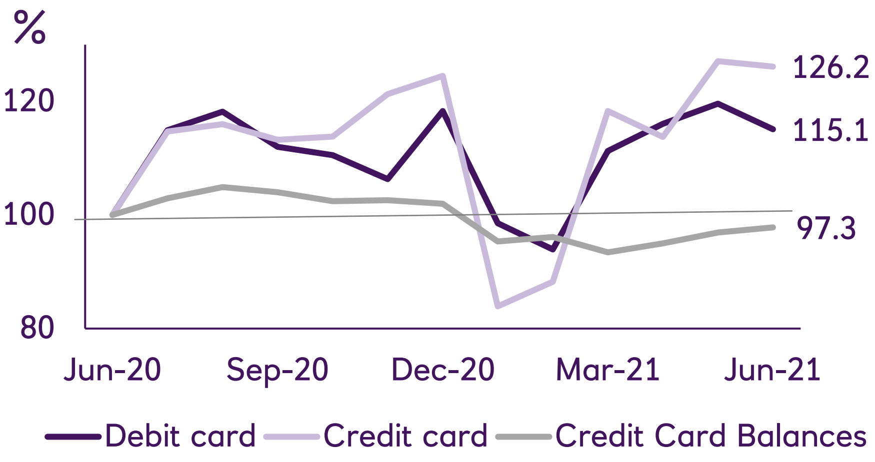
Strong and improving new mortgage lending

Corporate deleveraging continues with net government scheme repayments in Q2

Credit quality remains strong and we see growth opportunity as the economy recovers

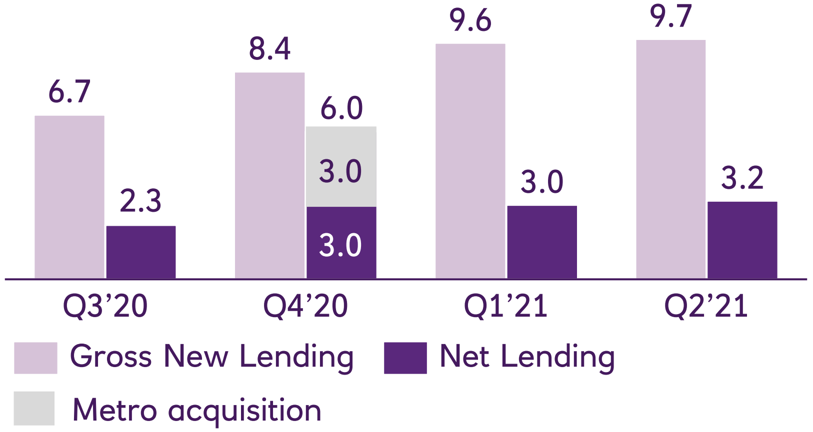
## Card spending and Credit Card balances[1]

Monthly spend and balances outstanding (£bn rebased 100 = June'20)



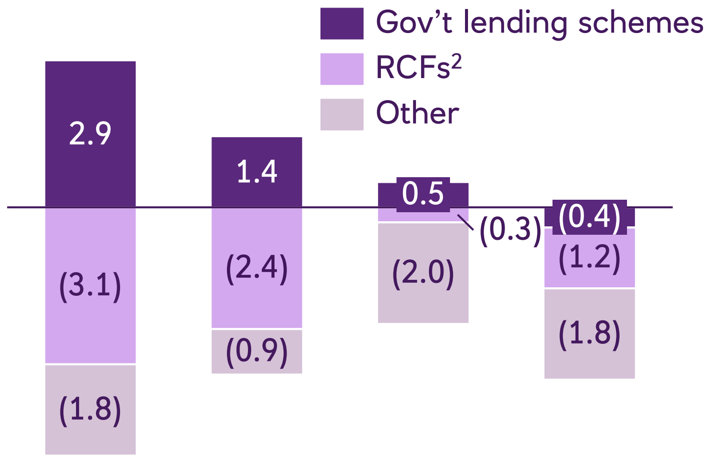

## Mortgage lending[1]

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 | Q3'20 | Q4'20 | Q1'21 | Q2'21 |
|---|---|---|---|---|
| | (2.0) | (1.9) | (1.8) | (3.4) |

- £0.4bn of net government scheme repayments in Q2, predominantly BBLS[3]
- ~5% of BBLS customers have repaid in full
- ~5% have requested a further payment holiday through PAYG[4]
- Of the BBLS customers due to start repayment ~92% are repaying on or ahead of schedule

1. Data relates to Retail Banking.
2. RCF – Revolving Credit Facility.
3. Bounce Back Loans.
4. PAYG option is available to customers 60 days before first payment.

# Actively managing capital

We remain strongly capitalised with 18.2% 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

## Ulster Bank RoI

- Natwest has agreed a binding sale agreement with Allied Irish Banks, p.l.c. for the sale of c.€4.2bn of performing commercial loans and associated undrawn exposures of c.€2.8bn[1]
- We have also agreed a non-binding MoU with Permanent TSB for the sale of €7.6bn of performing retail and SME loans

## NatWest Markets

- NatWest Markets RWAs at £24.4bn, down £2.1bn on Q1'21[2]

## Portfolio Sales and Synthetic Trades

- Commercial Banking active capital management contributed to £0.8bn reduction in RWAs in H1

1. 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
2. H1'21 RWA shown proforma for model change approval received in July 2021, benefit of £2.5bn. See page 12 in the NWG Q2'21 IMS.

## 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

1. Previous weightings from FY'20. New weightings updated for H1'21

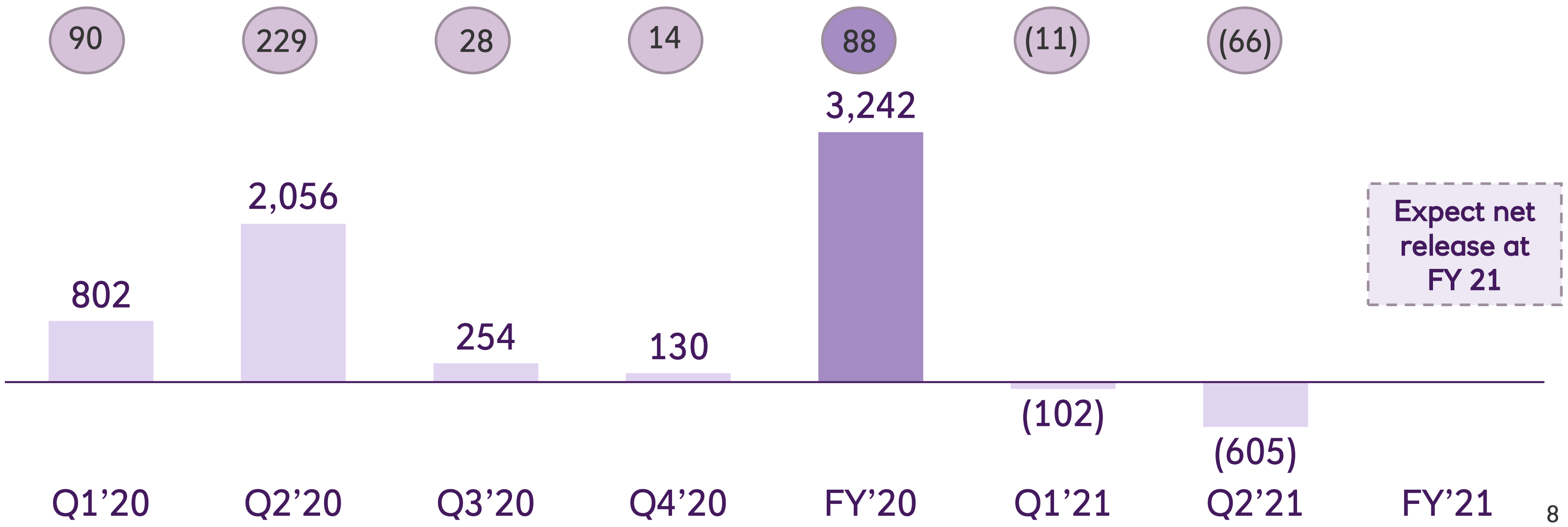
## Economic scenarios and weightings, H1'21

The main macroeconomic variables for each of the four scenarios used for expected credit loss (ECL) modelling below:

| | Probability weightings[1] | | UK GDP – Annual Growth (%) | | | UK Unemployment rate – annual avg. (%) | | |
|---|---|---|---|---|---|---|---|---|
| Scenario | Previous | New | 2021 | 2022 | 5y Avg. | 2021 | 2022 | 5y Avg. |
| Upside | 20% | 35% | 10.1 | 5.4 | 3.9 | 4.7 | 4.3 | 4.1 |
| Base case | 40% | 40% | 7.3 | 5.8 | 3.5 | 5.3 | 4.8 | 4.6 |
| Downside | 30% | 20% | 2.7 | 4.3 | 2.9 | 5.4 | 7.0 | 5.8 |
| Extreme Downside | 10% | 5% | 0.1 | - | 2.5 | 5.9 | 11.8 | 8.1 |

## Impairments charge(£m)

Loan impairment rate (bps of gross loans)



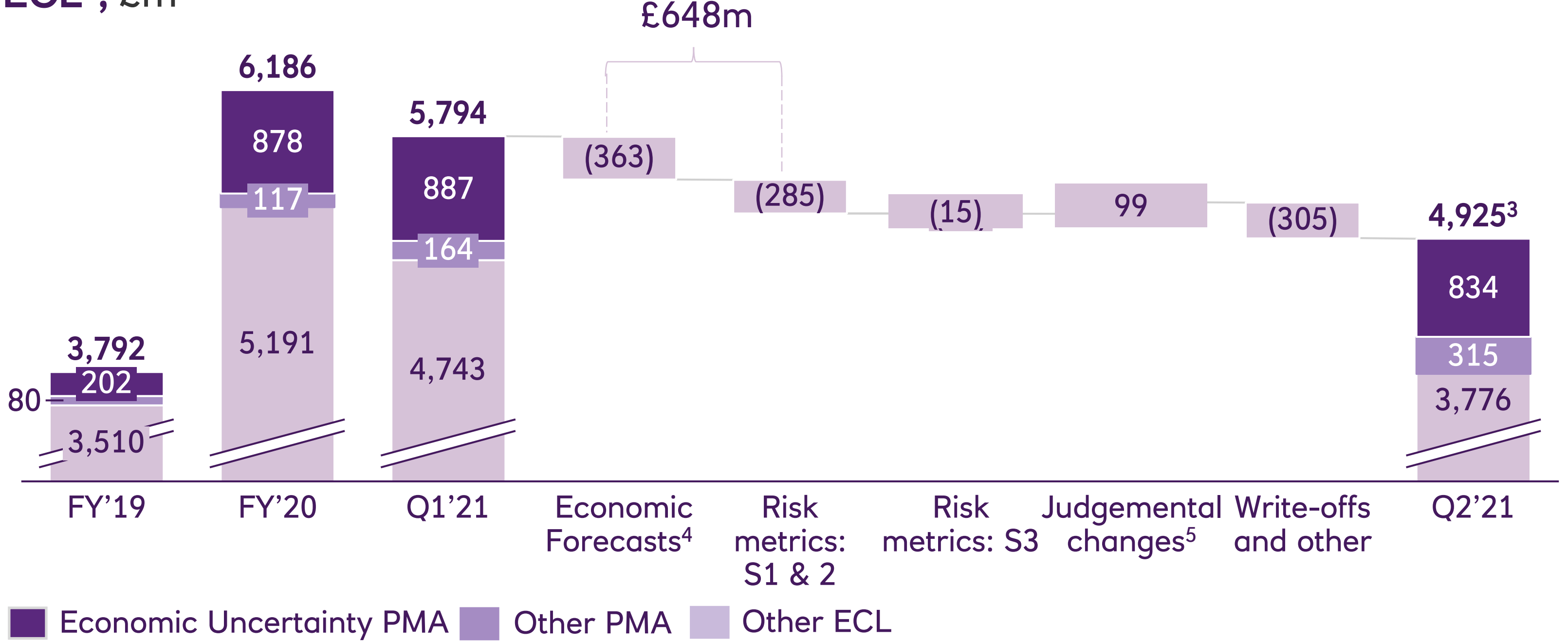
# Improved economic outlook drives ECL release

Of the £869m ECL release, £648m is driven by the improvement in economic forecasts and PD[1] on our performing book

PMA[2] for economic uncertainty has reduced slightly but is offset by other adjustments

ECL coverage reduced from 1.56% to 1.31% due to the ECL release

## ECL[3], £m




## ECL Coverage[3], %


1. Probability of Default.
2. Post Model Adjustments.
3. May not cast due to rounding.
4. Implementation of improved IFRS9 forward-looking economics scenarios and weightings drive the release.
5. Changes in post model adjustments.

**Donal Quaid**
Treasurer

# Treasurer's review

Strong capital and leverage positions, robust liquidity and diversified funding.

Further progress on meeting end-state MREL requirements and optimising the capital stack.

Moody's upgrade to Baa1, Outlook remains Positive.

Outlook from S&P and Fitch moved to Stable from Negative.

Sustainalytics risk score further improved to Low Risk.

## Capital and leverage

**18.2%**
CET1 ratio

**24.9%**
Total capital ratio

**38.9%**
LAC ratio

**6.2%**
UK leverage ratio

## Liquidity and funding

**164%**
Liquidity coverage ratio

**78%**
Loan:deposit ratio

**£36bn**
customer deposit inflows in H1 2020

## H1 2021 Issuance and capital optimisation

**~£2bn**
Senior MREL

**£1bn**
Tier 2

**~£1bn**
AT1

**~£2.4bn**
Legacy capital retired

## Ratings

| Credit | | ESG | |
|---|---|---|---|
| **Baa1** | Moody's | **AA** | MSCI |
| **BBB** | S&P | **17/Low risk** | Sustainalytics |
| **A** | Fitch | | |

Ratings as of 29/07/2021

## Robust balance sheet with strong capital & liquidity levels

# Strong capital position provides flexibility[1]

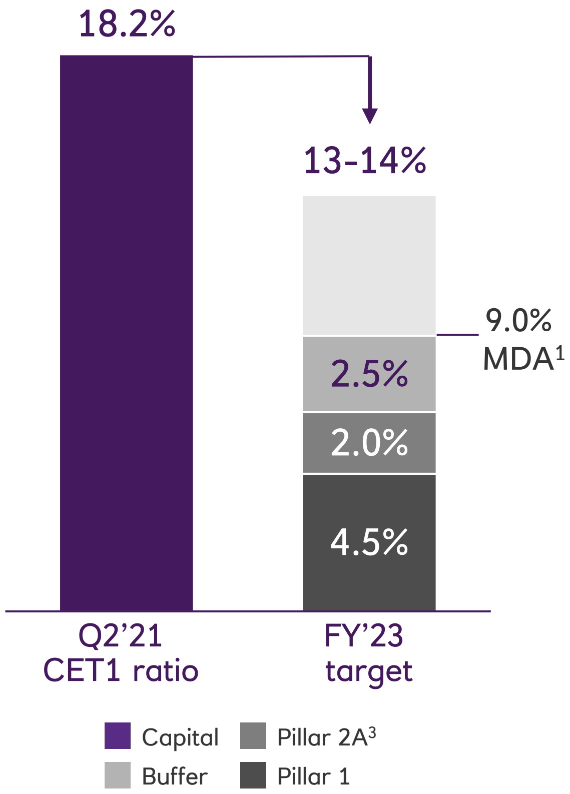
We have shaped a business to operate with a CET1 ratio of between 13% to 14% by FY'23.

Our CET1 ratio is now 420-520bps or c.£6.8bn-£8.5bn above our target range and more than double our Maximum Distributable Amount.

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

**420-520bps**

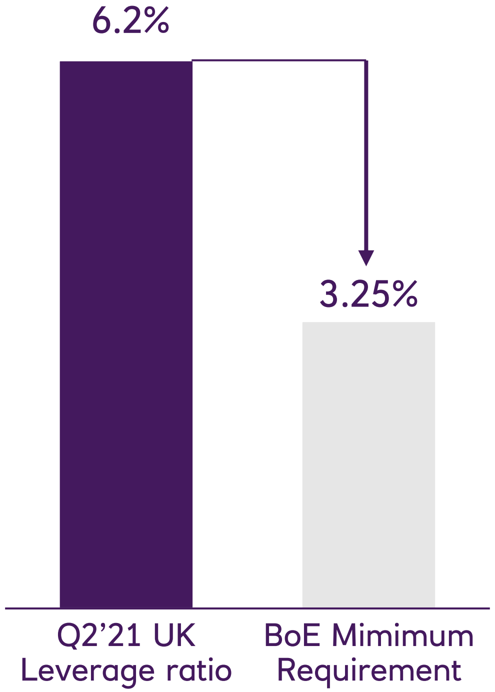
c.£6.8 - 8.5bn of headroom in Q2'21



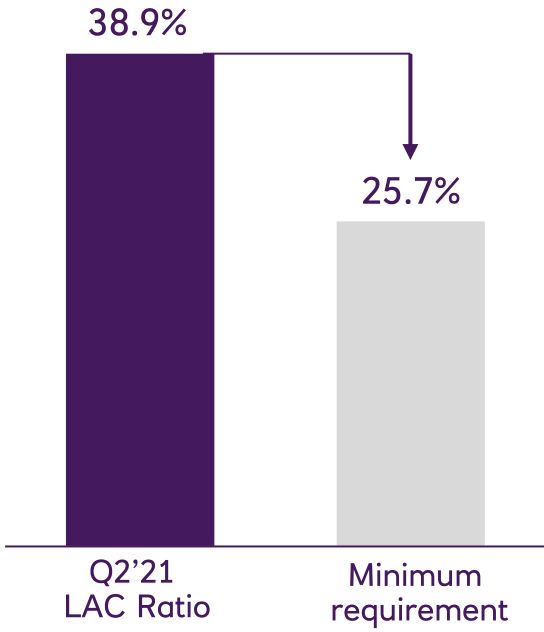

### Headroom above minimum UK leverage requirements

**295bps**

headroom above minimum requirements




### Loss absorbing capital ratio (LAC) well above min UK requirement




1. Refer to detailed disclosure in Q2'21 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.

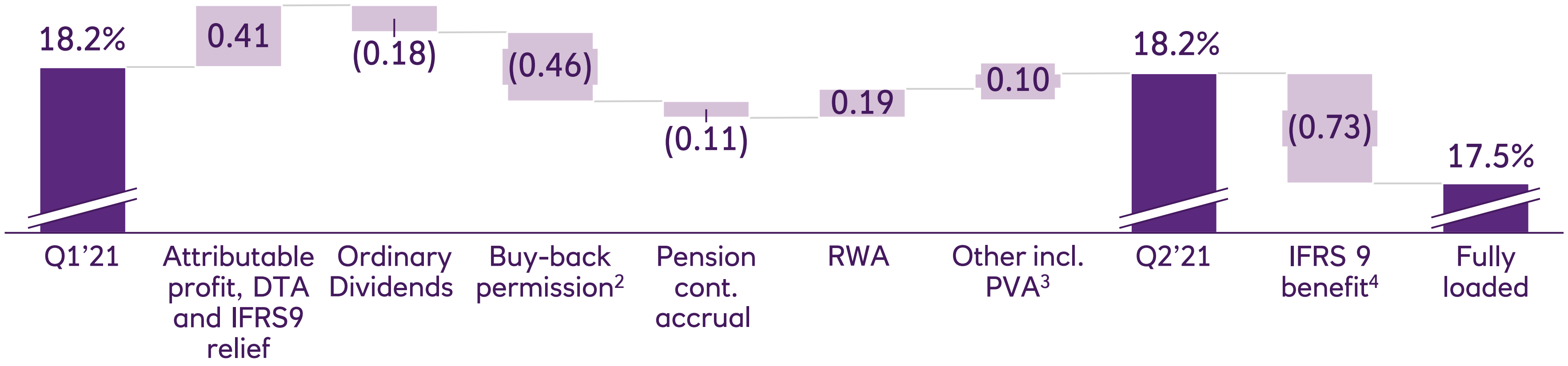
# Strong capital position post dividend and buyback accruals

CET1 ratio 18.2% in line with Q1'21

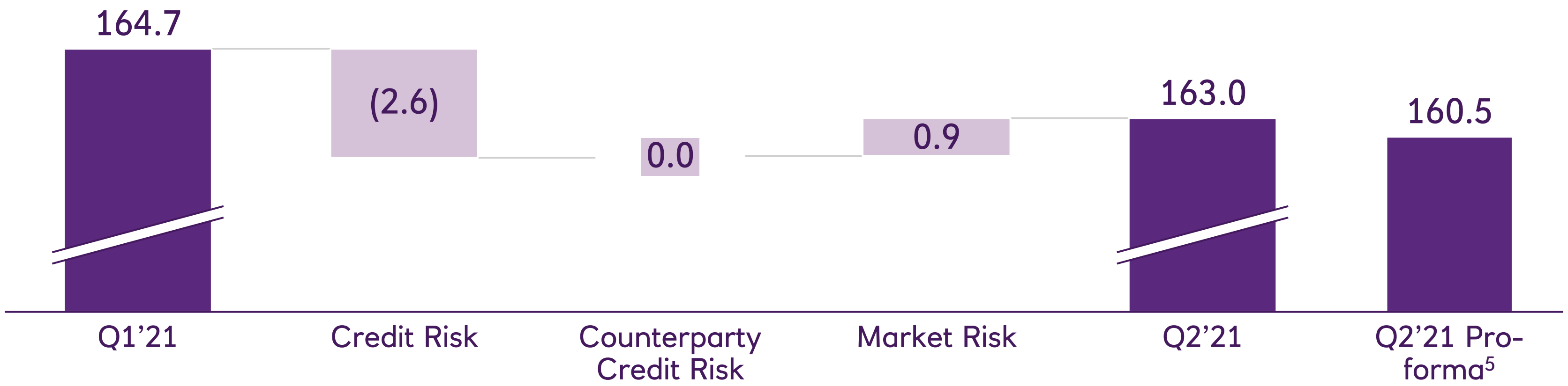
2021 dividend accrual, £750m on-market buyback plus pension contributions reduced ratio by 75 basis points

RWAs reduced by £1.7bn mainly due to Commercial Banking business movements. NWM model change effective in July gives proforma RWA of £160.5bn

## CET1, (%)[1]




## RWA, £bn




1. May not cast due to rounding.
2. Distributions are subject to regulatory approvals. "Directed" buy backs post March'22 only
3. PVA = Prudential Valuation Adjustment.
4. Including IFRS9 Transitional adjustment at 100% reducing to 75% in 2022.
5. RWA proforma for model change approval received in July 2021, benefit of £2.5bn

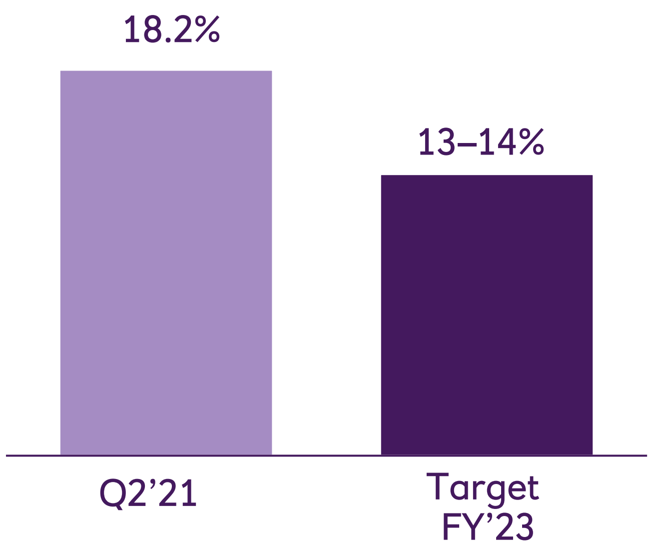
# Returning surplus capital to shareholders

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%. We are increasing our minimum dividend to £1bn and announcing £750m on-market buyback bringing FY'21 distributions to minimum of c.£2.9bn[1]

1. Shareholder distributions include minimum dividends of £1,000m, on-market buyback of up to £750m and Directed Buy Back of £1,125m.
2. Includes dividends, buybacks and dividend linked pension contributions.

## CET1 ratio




## Key drivers of CET1 ratio

**Capital generation:**
- Earnings
- NWM reshaping and Ulster Bank withdrawal

**Capital Usage:**
- Distributions[2]
- Loan growth & Procyclicality
- Regulation

## NatWest Group capital distributions

- NatWest Group now 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

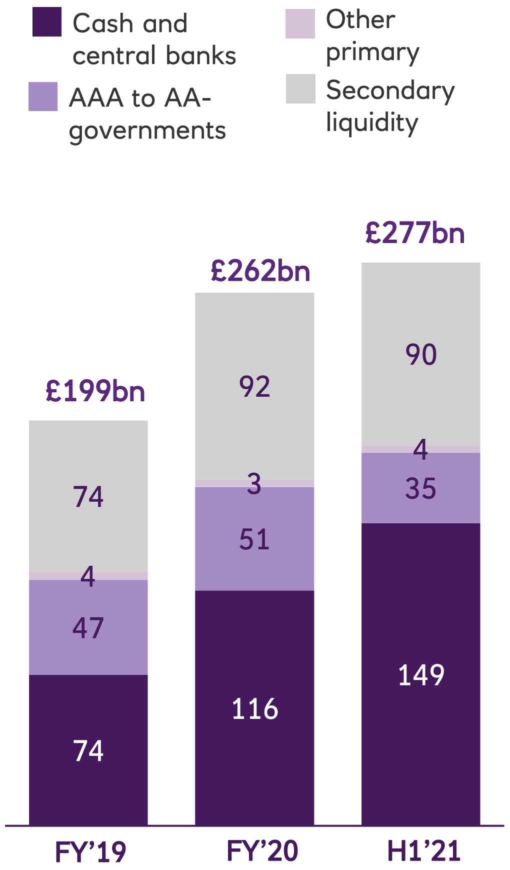
# Robust balance sheet with strong capital & liquidity levels

## Significant excess liquidity, diversified funding

Liquidity position reflects strong deposit growth across both our corporate and retail franchises

Continue to optimise funding requirements, including repayment of £5bn TFSME drawings

### High quality liquidity pool

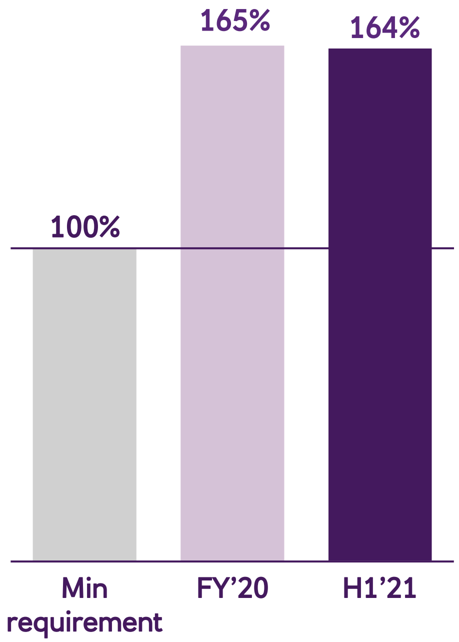



**£187bn in primary liquidity with mix of cash and high quality sovereign bonds**

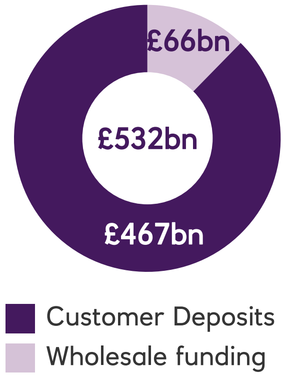
### Liquidity coverage ratio remains well above min UK requirement

**£75bn**

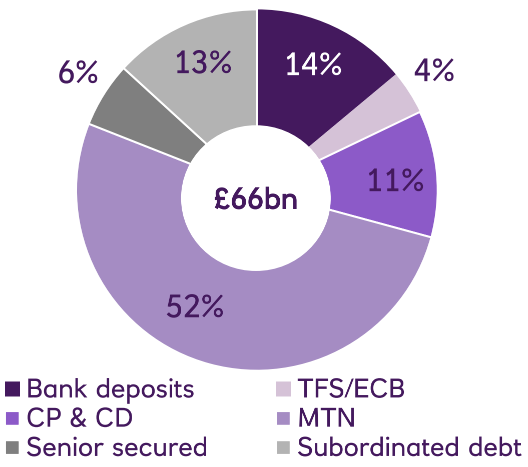
surplus liquidity over minimum requirement




### Total funding mix (£bn)[1,2]




### Wholesale funding mix (£bn)[1,]




1. Funding excluding repos, derivative cash collateral.
2. Customer deposits includes amounts from NBFIs.

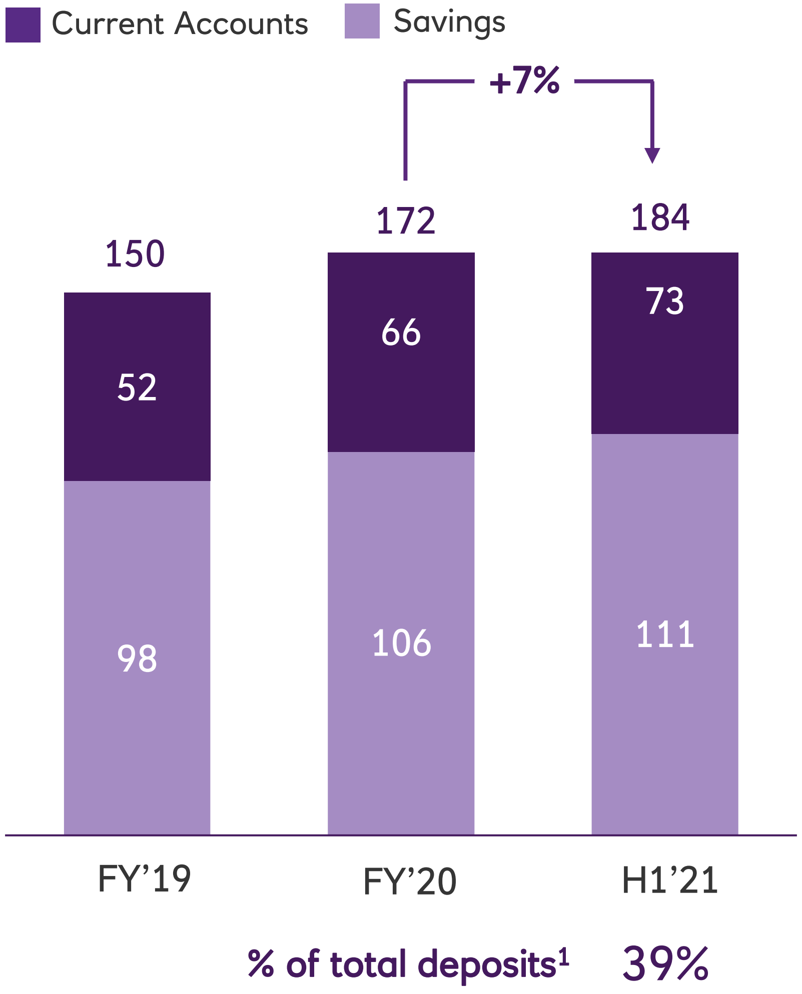
# Strong customer deposit inflows

Retail Banking deposits increased by £12 billion as a result of lower customer spend and increased savings.

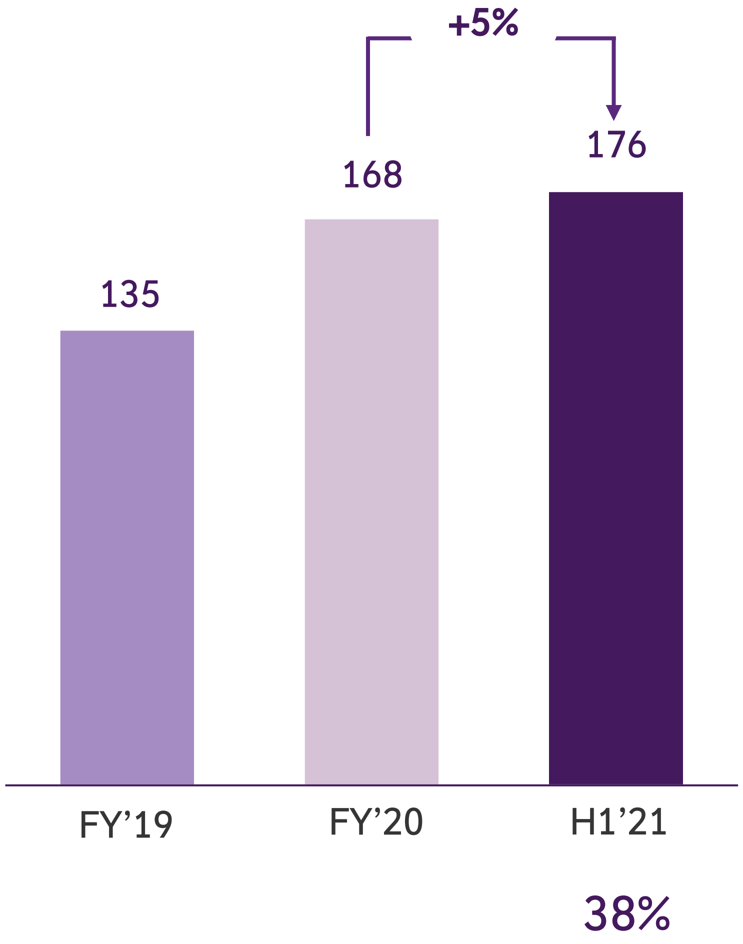
Commercial Banking deposits increased by £8 billion as customers continued to build and retain liquidity.

£86bn increase in total deposits since FY 2019, of which £34bn Retail Banking and £41bn Commercial Banking[1]

## Retail Banking £bn




## Commercial Banking £bn




1. Other deposits include Ulster Bank RoI, Private Banking, NWM, RBSI, Central items and Other. Figures may not sum due to rounding.

# Issuance and capital management progress

Good progress with 2021 issuance plan; in H1 2021, NatWest Group plc issued ~£2bn MREL eligible senior debt, ~£1bn of AT1 and £1.0bn Tier 2.

NatWest Markets issued ~£2bn senior unsecured term debt

NatWest Group continued to optimise regulatory efficiency of capital through targeted liability management exercises and redemptions

| 2021 Issuance guidance | H1 2021 progress | |
|---|---|---|
| **HoldCo Senior unsecured**<br>**~£3-5bn** HoldCo senior MREL | **~£2bn** | NWG €1bn 9NC8<br>Second social bond, third GSS bond, bringing total GSS issuance to ~£2bn<br>NWG $1.5bn 6NC5 |
| **OpCo Senior unsecured**<br>Modest issuance from NatWest Markets Plc | **~£2bn public issuance** | NWM $1.25bn Senior Unsecured 144a<br>NWM €1.25bn Senior Unsecured EMTN |
| **Capital**<br>**~£2bn** HoldCo Tier 2<br>**~£1bn** HoldCo AT1 | **£1bn Tier 2**<br>**~£1bn AT1** | NWG £400m PNC7.5 AT1<br>NWG $750m PNC11 AT1<br>NWG £1bn 11NC6 Tier 2 |

**Capital optimisation**

- Offered to repurchase ~£4.8bn of capital securities in H1 2021; repurchasing ~£1.6bn
- Announced calls in respect of ~£0.8bn of capital securities in H1 2021.
- In July, announced call of ~£2bn of AT1 due Aug-21

# Credit ratings

NatWest received rating upgrades from Moody's on 13 July 2021, with positive outlook maintained on NWG and NWM Plc and NWM N.V.

Fitch and S&P changed their outlook to Stable (from Negative) in July 2021 based on stronger than expected UK economic recovery and NatWest Group's strong credit profile.

| | 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 |
| NatWest Markets Securities Inc | NR | A-/Sta | A/Sta |
| RBSI Ltd | Baa1/Pos | A-/Sta | A/Sta |

* Moody's Long-Term Bank Deposit Ratings

Ratings as of 29/07/2021

# ESG ratings (1)

The Sustainalytics rating improved to 17/Low risk in July 2021.

The MSCI rating improved from BBB to AA last December.

Ongoing participation in the Standard & Poor's Corporate Sustainability Assessment (3)

| ESG Ratings (1) | Scale | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **MSCI** | | | | |
| Rating | AAA to CCC | BBB | AA | AA |
| **Sustainalytics Risk Rating** | | | | |
| Rating | 1-100 Negligible to Severe | 27.7 Medium risk | 20.5 Medium risk | 17 Low risk |
| Industry rank (banks) | | #242/933 | 134/975 | 96/1064 |
| **CDP** | | | | |
| Rating | A to D- | B | A- | A- (2) |
| Industry average | | C | B | |
| **ISS ESG** | | | | |
| Rating | A+ to D- | C | C | C (2) |
| Prime Status | | Prime | Prime | Prime (2) |

1. ESG ratings on this page are: (i) unsolicited; (ii) subject to the assessment and interpretation by the ESG rating agencies; (iii) provided without warranty (iv) not a sponsorship, endorsement, or promotion of NatWest Group by the relevant rating agency. Ratings as of 29.07.2021.
2. CDP and ISS ESG ratings have not yet been reviewed in 2021.
3. S&P CSA results are due in November.

## Katie Murray
Chief Financial Officer

## Focused on generating shareholder value through our strategic priorities

We are:

- Generating good performance
- Supporting our customers and growing Retail and Commercial lending
- 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**

   420-520bps or c.£6.8bn-8.5bn headroom to target CET1 ratio in Q2'21 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 £1bn per annum from 2021 to 2023 via a combination of ordinary and special dividends**

# Q&A

# Appendix

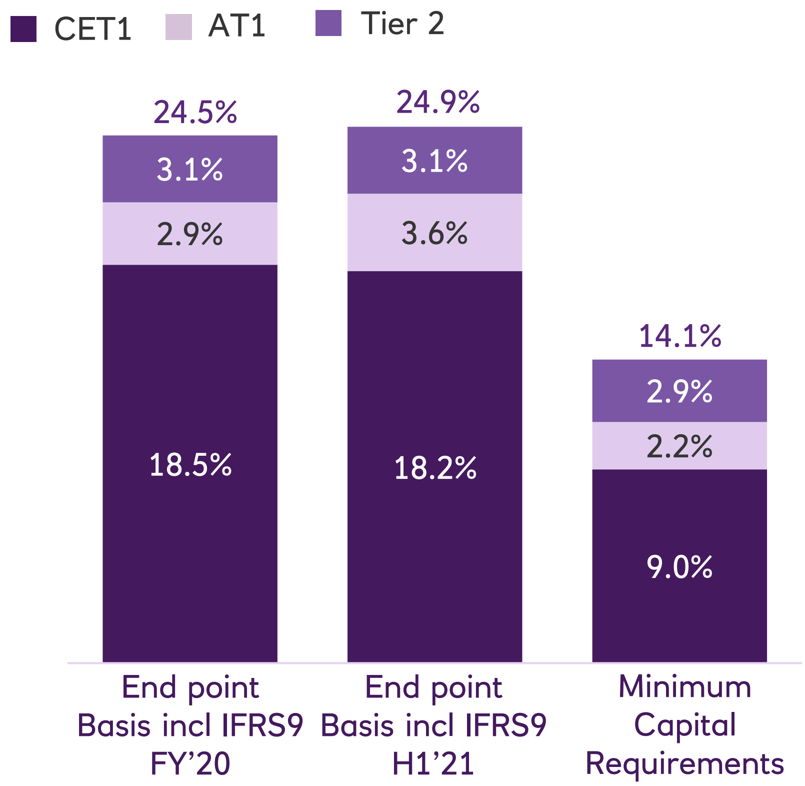
# Capital & Leverage

# Well positioned to meet 2022 capital requirements[1]

## Total Capital in excess of Transitional and Fully loaded minimum requirements

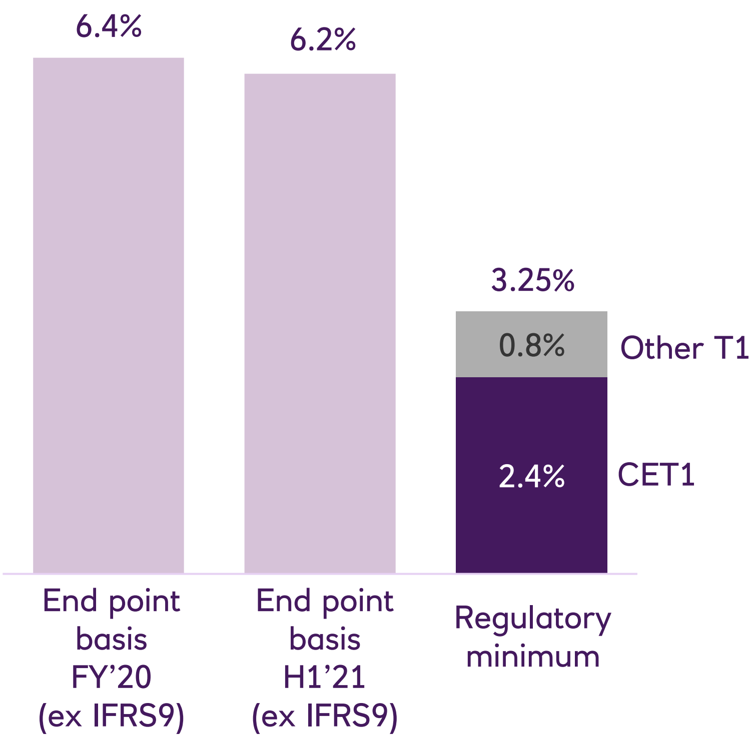
### Total Capital versus minimum requirements

% RWA




### Total Leverage requirements 1-Jan-22[2]

Total Tier 1 as a % of Leverage Exposure



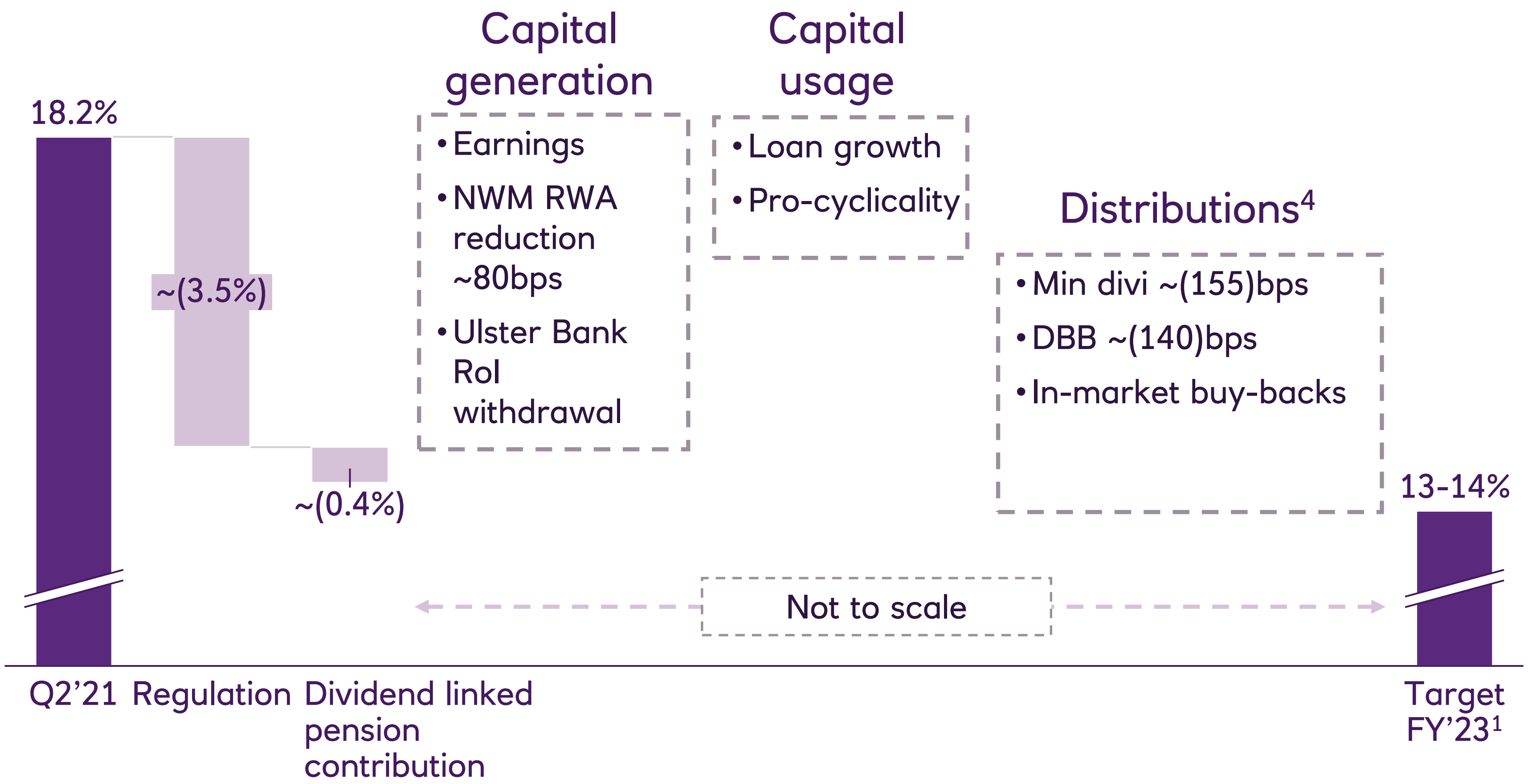

1. Illustration, based on assumption of static regulatory capital requirements.
2. The countercyclical leverage ratio buffer is set at 35% of NatWestGroup's CCyB. As noted above the UK CCyB decreased from 1% to 0% on 11 March 2020 in response to COVID-19. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions.

## We have shaped a business that can operate at a CET1 ratio of between 13% to 14% by FY’23[1]

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[2]

## Key drivers of CET1 ratio[3,4]



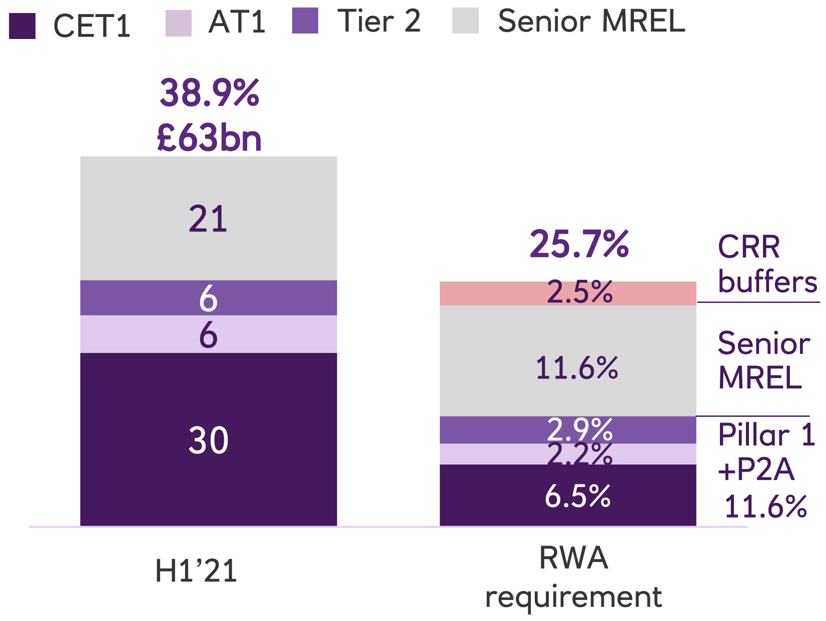

1. This presentation contains forward-looking statements, please see Forward-Looking Statements on slide 39 and Outlook Statement on page 2 of Q2’21 NatWest Group IMS.
2. £15bn equates to c.15% risk weights on the mortgage book as at Q2’21.
3. Impacts are approximate, not to scale and shown on a standalone basis using Q2’21 capital position. These impacts will change quarterly. Combined impacts will not be sum of standalone impact.
4. Distributions are subject to regulatory approvals. “Directed” buy backs post March’22 only.

# Well positioned to meet 2022 MREL requirements[1]

Total loss absorbing capital ratio of 38.9% is above the Bank of England (BOE) requirement of 25.7% at 1 January 2022, including CRDIV combined buffer requirements.

Total senior unsecured MREL stock in issue is now £21bn and 90% complete compared to our end state requirements.

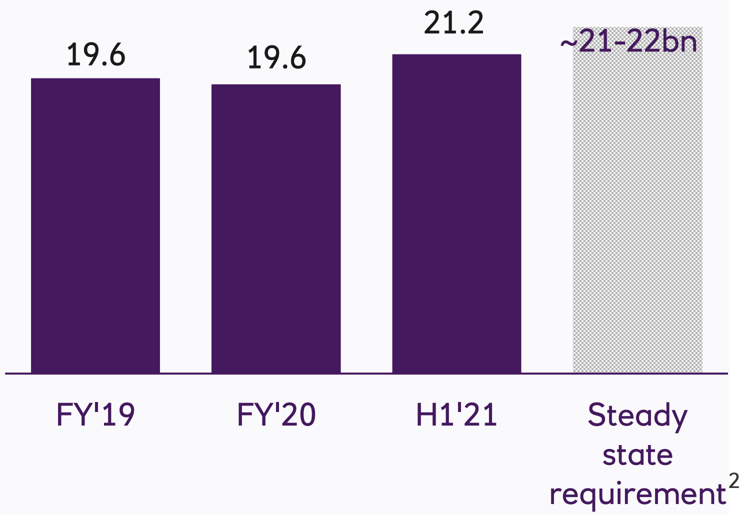
**Total Loss Absorbing Capital (LAC)**
£bn as at 30th June 2021




**RWA** £163bn

**Senior MREL profile**

Loss Absorbing Capital (LAC) value[1]
£billion equivalent, based on illustrative £200bn RWA




| | FY'19 | FY'20 | H1'21 | Steady state requirement[2] |
|---|---|---|---|---|
| **RWA** | £179bn | £170bn | £163bn | £200bn |
| **% RWA** | 10.9% | 11.3% | 13.0% | 11.6% |

1. "MREL" = Minimum required eligible liabilities.
2. Illustration, based on assumption of static regulatory capital requirements. End state MREL requirement is set at 2x (Pillar 1+ Pillar 2A) per Bank of England guidance. NatWest Group plc's Pillar 2A requirement was 3.6% of RWAs as at 30 June 2021. 56.25% of the total Pillar 2A requirement, must be met from CET1 capital. From July 2020 the Pillar 2A requirement is set as a notional amount. Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review.

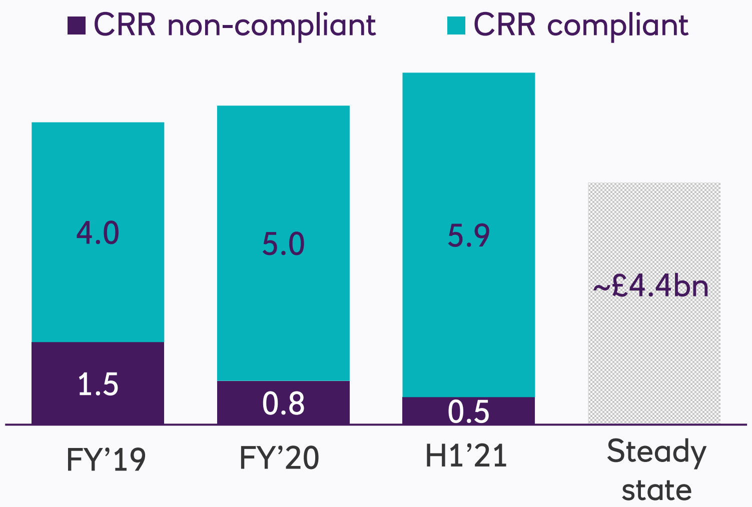
# AT1 and Tier 2 capital profile

Regulatory value of non-CRR compliant legacy Tier 1 and Tier 2 reduced by £1bn and £0.8bn respectively since 2019.

Balance sheet value of CRR non-compliant Tier 1 and Tier 2 at H1'20 is £2.3bn (£0.7bn and £1.6bn respectively),

**AT1 profile**

Regulatory value
£billion equivalent



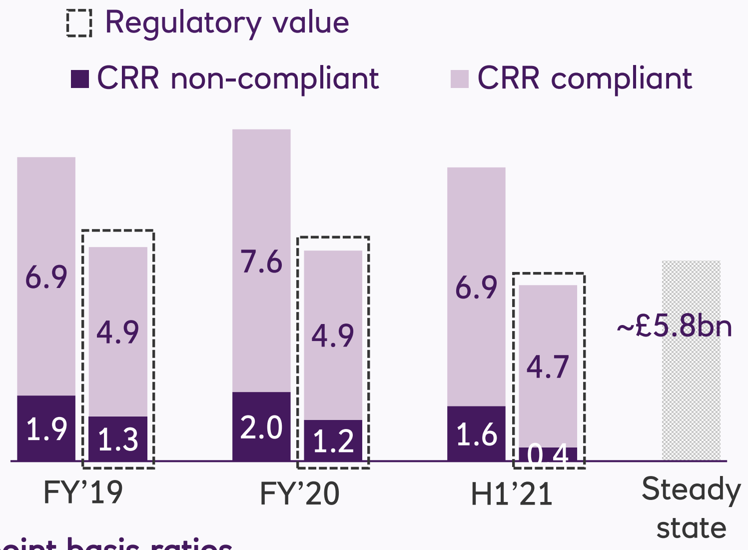

**End-point basis ratios**

| | FY'19 | FY'20 | H1'21 | Steady state |
|---|---|---|---|---|
| **RWA** | £179bn | £170bn | £163bn | £200bn |
| **% RWA** | 2.2% | 2.9% | 3.6% | 2.2% |

AT1 requirement is 2.2% of RWA from 1-Jan-2022

**Tier 2 profile**

Balance sheet value v Regulatory value
£billion equivalent




**End-point basis ratios**

| | FY'19 | FY'20 | H1'21 | Steady state |
|---|---|---|---|---|
| **RWA** | £179bn | £170bn | £163bn | £200bn |
| **% RWA** | 2.7% | 2.9% | 2.9% | 2.9% |

Tier 2 requirement is 2.9% of RWA from 1-Jan-2022

# Legal entity capital positions

External issuance of AT1, Tier 2 and MREL will only be from NatWest Group plc, the group holding company.

Subsidiary operating companies will only issue AT1, Tier 2 and MREL internally.

NatWest Bank Plc and Ulster Bank Ireland DAC issue senior secured securities externally.

Natwest Markets Plc issues senior unsecured securities externally.

| H1 2021 | NatWest Holdings Group | NatWest Bank Plc | Royal Bank of Scotland plc | Ulster Bank Ireland DAC | NatWest Markets Plc | RBSI |
|---|---|---|---|---|---|---|
| Capital and leverage metrics | | | | | | |
| CET1 ratio | 16.6% | 17.1% | 12.5% | 25.6% | 20.2% | 18.6% |
| Tier 1 ratio | 19.5% | 19.6% | 17.1% | 25.6% | 23.9% | 22.7% |
| Total Capital ratio | 23.4% | 23.0% | 23.5% | 27.4% | 28.9% | 22.8% |
| RWA | £126.8bn | £85.9bn | £21.2bn | £13.3bn | £24.6bn | £7.3bn |
| CRR leverage ratio | 4.5% | 4.2% | 4.1% | 15.7% | 4.7% | 4.1% |
| Internal MREL issuance[1] | | | | | | |
| Tier 1 | £3.7bn | £2.4bn | £1.0bn | - | £1.1bn | £0.3bn |
| Tier 2 | £4.7bn | £3.1bn | £1.4bn | £0.5bn | £1.5bn | - |
| Senior unsecured | £10.5bn | £5.7bn | £0.4bn | £0.5bn | £3.9bn | - |
| Total internal issuance | £18.9bn | £11.2bn | £2.8bn | £1.0bn | £6.5bn | £0.3bn |

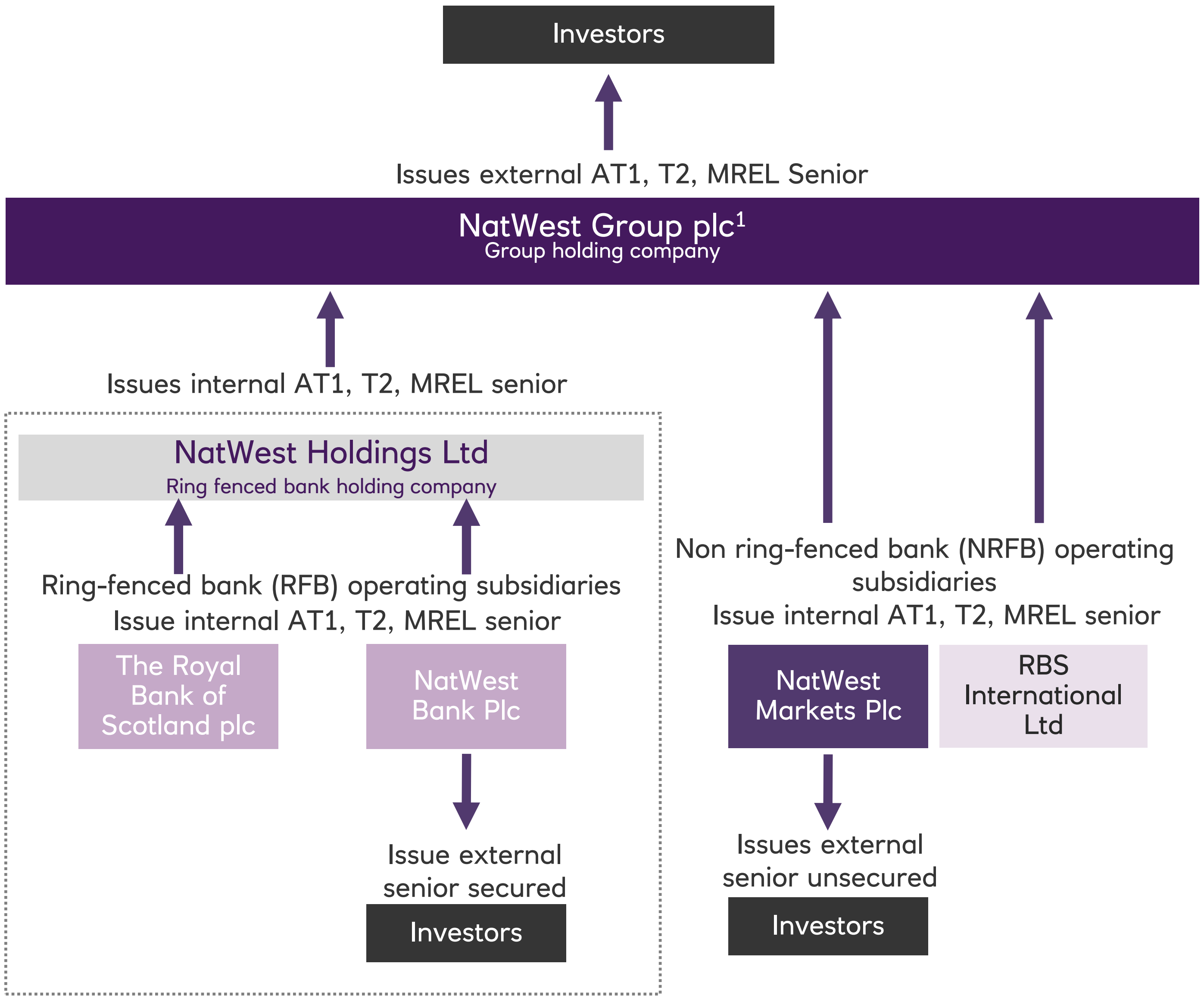
1. Internal issuance to the immediate parent company. Amounts under NatWest Holdings Group reflect issuance from the ring-fenced bank holding company, NatWest Holdings Limited.

External issuance of AT1, Tier 2 and MREL is only from NatWest Group plc, the group holding company.

Subsidiary operating companies will only issue internal AT1, Tier 2 and MREL.

NatWest Bank issues senior secured securities externally.

Natwest Markets Plc issues senior unsecured securities externally.




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

# Green, Social and Sustainable Bond Framework

## ~£2bn GSS issuance to date, active in Green and Social bonds

## Proportion of senior HoldCo issuance in Green, Social & Sustainability bond format

Launched in 2019, the **NWG GSS Framework** aims to attract dedicated funding for loans and investment that bring a positive environment or social impact.

**November 2019**
**€750m Social Bond**

- Proceeds allocated to supporting SMEs in some of the most deprived parts of the UK.
- Published FY 2020 impact report in May 2021

**May 2020**
**$600m Green Bond [1]**

- First from a UK bank to issue USD on-shore market. Proceeds allocated to Renewable Energy projects across the UK including solar, wind and hydropower facilities.
- Published FY 2020 impact report in May 2021

**February 2021**
**€1bn Social Bond**

- Proceeds allocated to loans originally provided to not-for-profit, registered housing associations operating in the UK

**Sustainalytics is of the opinion that the NatWest Group Green, Social and Sustainability Bond Framework is credible and impactful. The bank is well positioned to issue green, social and sustainability bonds.**

- We have an SPO from Sustainalytics who reviewed our Framework and eligibility criteria
- We published a limited assurance report by our auditor alongside our latest impact reports
- Our Social Bonds are listed on the London Stock Exchange's Sustainability Bond Market

**Eligible loans, investments and projects** financed/refinanced in whole or in part by the allocation of the proceeds raised under the Framework must fall into the categories outlined below, aligning with NWG's Climate and Sustainable Finance criteria:

**Green**

- Renewable Energy Loans
- Loans for technologies and operations promoting pollution prevention and control
- Green Buildings Loans
- Clean Transportation Loans

**Social**

- Loans to support female-owned SMEs
- Loans that enhance access to essential services
- Loans that provide greater access to affordable housing
- SME Lending in areas with high unemployment/low income

**Allocation and impact reports** will be available on the NWG website within a year from the issuance of the applicable GSS bond and at least annually thereafter

1. The $600m inaugural green bond constitutes approximately £450m of the £1 billion we stated in February 2020 that we expected to issue under our Green, Social and Sustainability Bond Framework in 2020.

# Q2 2021 Financials

## Strong Q2 performance

Income excluding notable items was down 1.2% vs Q1’21 as strength in mortgages was offset by lower trading income

Other expenses down 4% over Q2’21 due to ongoing delivery of cost transformation

Further impairment release of £605m, 66bps loans, reflects improved economic outlook and low level of defaults

| £m | Q2'21 | Q1'21 | vs Q1'21 | H1'21 | H1'20 | vs H1'20 |
|---|---|---|---|---|---|---|
| Net interest income | 1,985 | 1,931 | 2.8% | 3,916 | 3,852 | 1.7% |
| Non-interest income | 675 | 728 | (7.3%) | 1,403 | 1,986 | (29%) |
| **Total income** | **2,660** | **2,659** | **0.0%** | **5,319** | **5,838** | **(8.9%)** |
| Other expenses | (1,568) | (1,639) | (4.3%) | (3,207) | (3,375) | (5.0%) |
| Strategic costs | (172) | (160) | 7.5% | (332) | (464) | (28.5%) |
| Litigation and conduct costs | 34 | (16) | n.m | 18 | 89 | (79.8%) |
| **Operating expenses** | **(1,706)** | **(1,815)** | **(6.0%)** | **(3,521)** | **(3,750)** | **(6.1%)** |
| **Operating profit before impairments** | **954** | **844** | **13.0%** | **1,798** | **2,088** | **(13.9%)** |
| Impairment releases/ losses | 605 | 102 | 493.1% | 707 | (2,858) | n.m |
| **Operating profit / (loss)** | **1,559** | **946** | **64.8%** | **2,505** | **(770)** | **n.m** |
| Tax charge/ credit | (202) | (233) | (13.3%) | (435) | 208 | n.m |
| **Attributable profit/ (loss)** | **1,222** | **620** | **97.1%** | **1,842** | **(705)** | **n.m** |
| RoTE | 15.6% | 7.9% | +7.7ppt | 11.7% | (4.4%) | +16ppt |

## Net interest income supported by mortgage growth

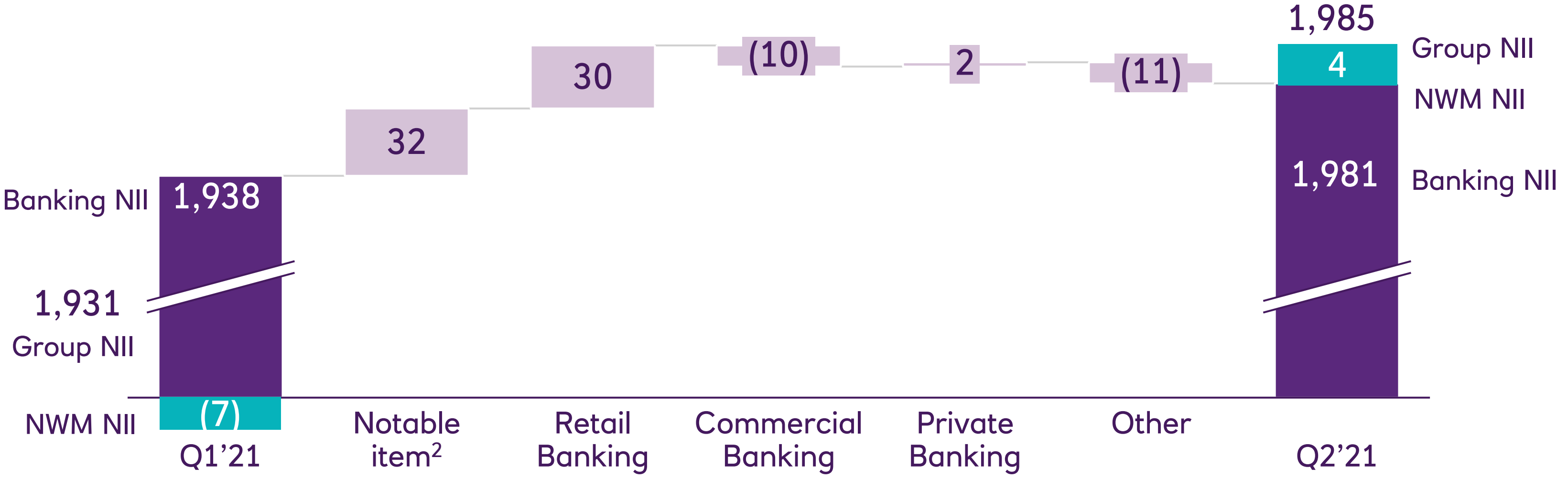
Banking net interest income ex-notable items was up 1% in the quarter, as mortgage growth was partially offset by commercial deleveraging

Increased liquidity depresses Bank NIM, however excluding this trends are broadly stable

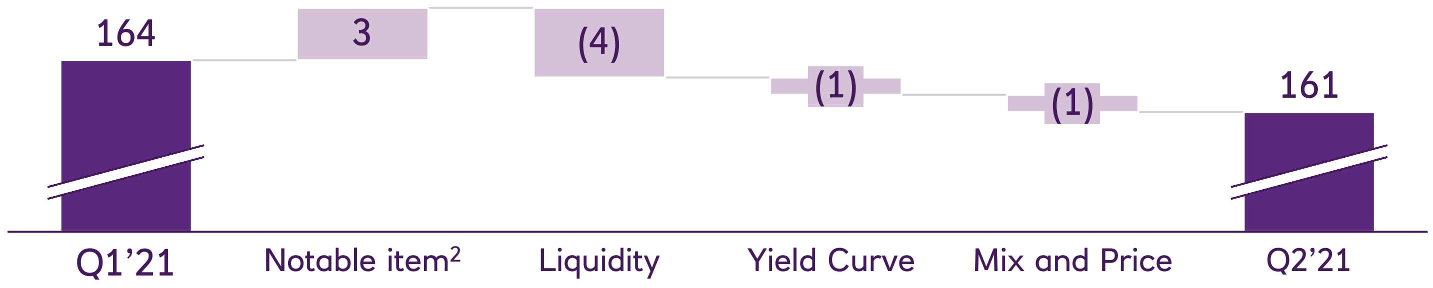
Structural hedge impact moderates to -1bp in Q2

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

### Net Interest Income[1] £m




### Bank Net Interest Margin[3] bps




| 480 | Average Interest Earning Assets[1], £bn | 494 |
|---|---|---|
| 239 | **Bank NIM excluding Liquid Asset Buffer** | 240 |

Focused on generating shareholder value

# NIM drivers: moderate pressure on asset yields

Group asset yield impacted by strong growth in Liquid Asset Buffer, +8% over Q1[3]. Funding costs broadly stable on Q1 at 0.30%

Retail Banking loan yield impacted by lower unsecured balances. Mortgage margin on back book up 4bps to 1.63%

Commercial loan yield broadly stable excluding one-off tax adjustment

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


## Cost of interest bearing and non-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 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.

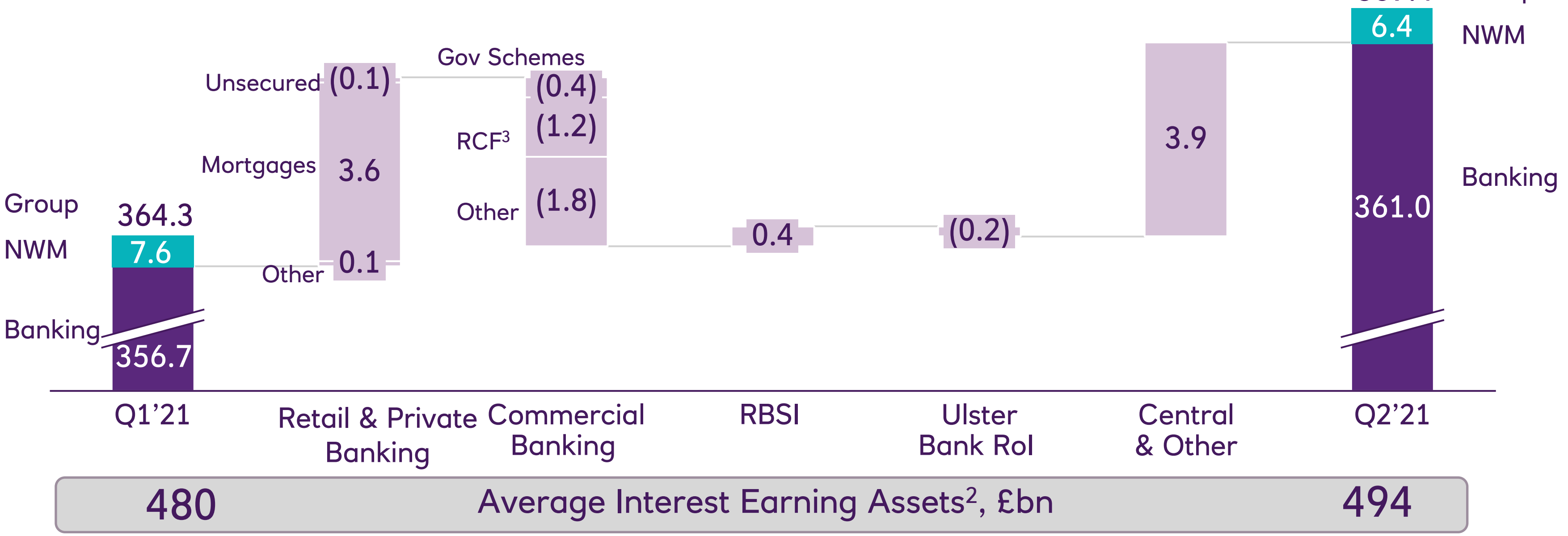
# Loan book growing in the quarter

Gross banking loans to customers +1.2% in the quarter including £1.0bn growth across UK & RBSI Retail & Commercial businesses, ex govt. schemes

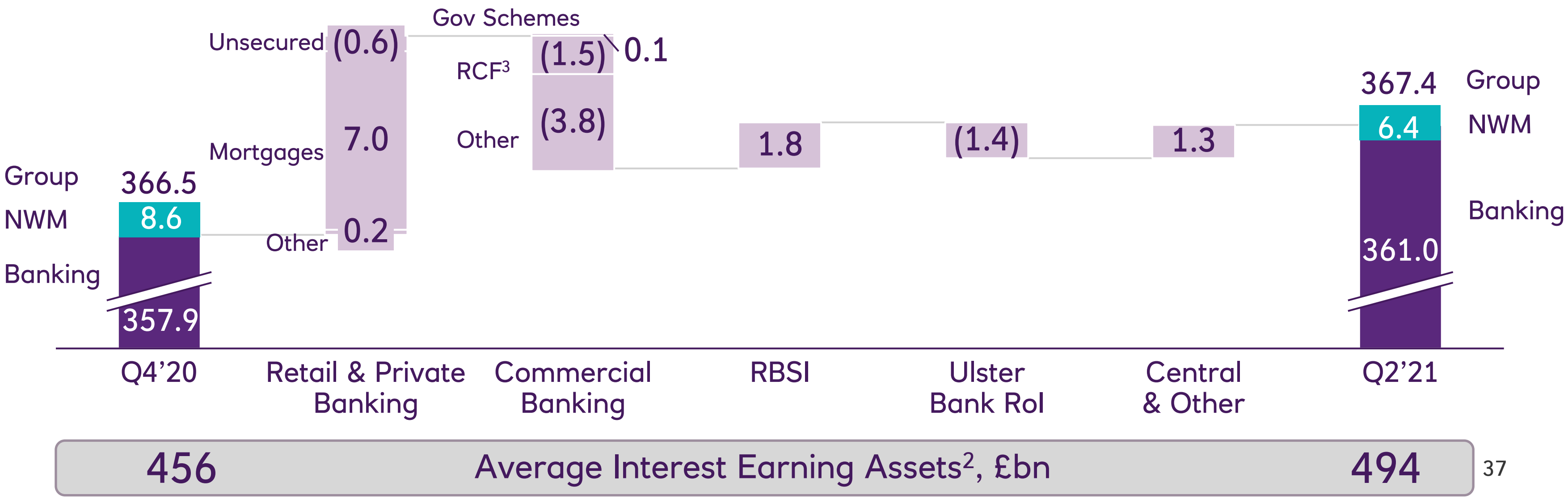
Strong mortgage growth partly offset by commercial deleveraging with government lending scheme net repayments of £0.4bn

Central & Other growth reflects reverse repo activity

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




## Gross customer loans[1], year to date, £bn



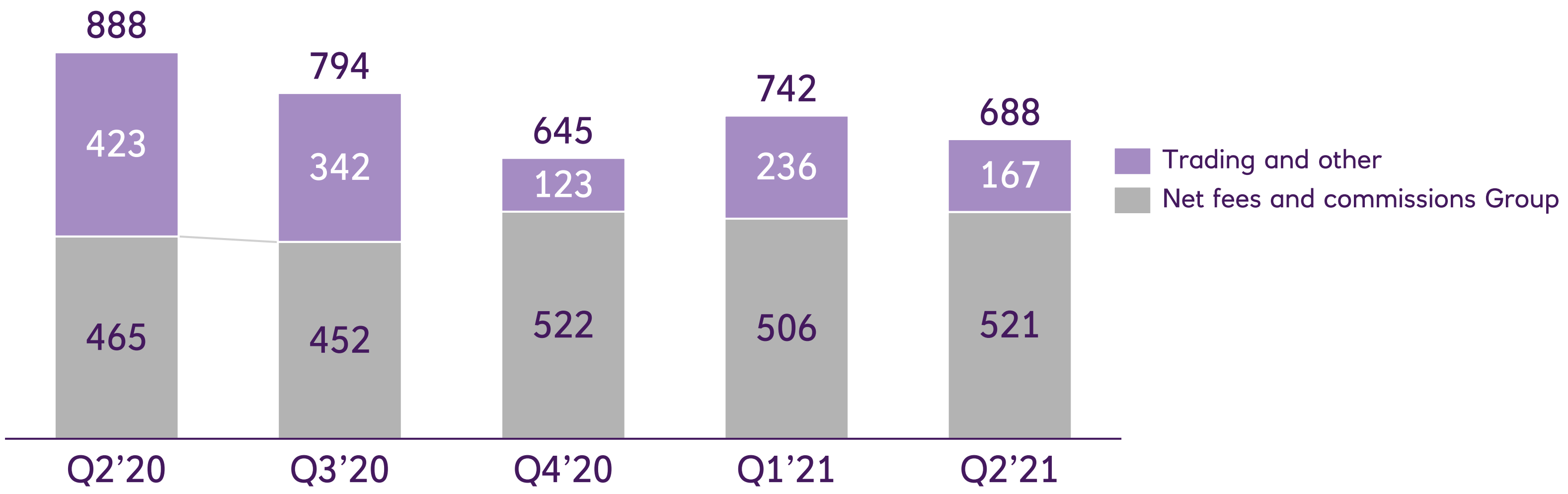

1. May not cast due to rounding
2. Bank average interest earning assets = NatWest Group plc excluding NWM.
3. Revolving credit facilities for our Commercial Banking customers.

# Non-interest income impacted by lower trading income

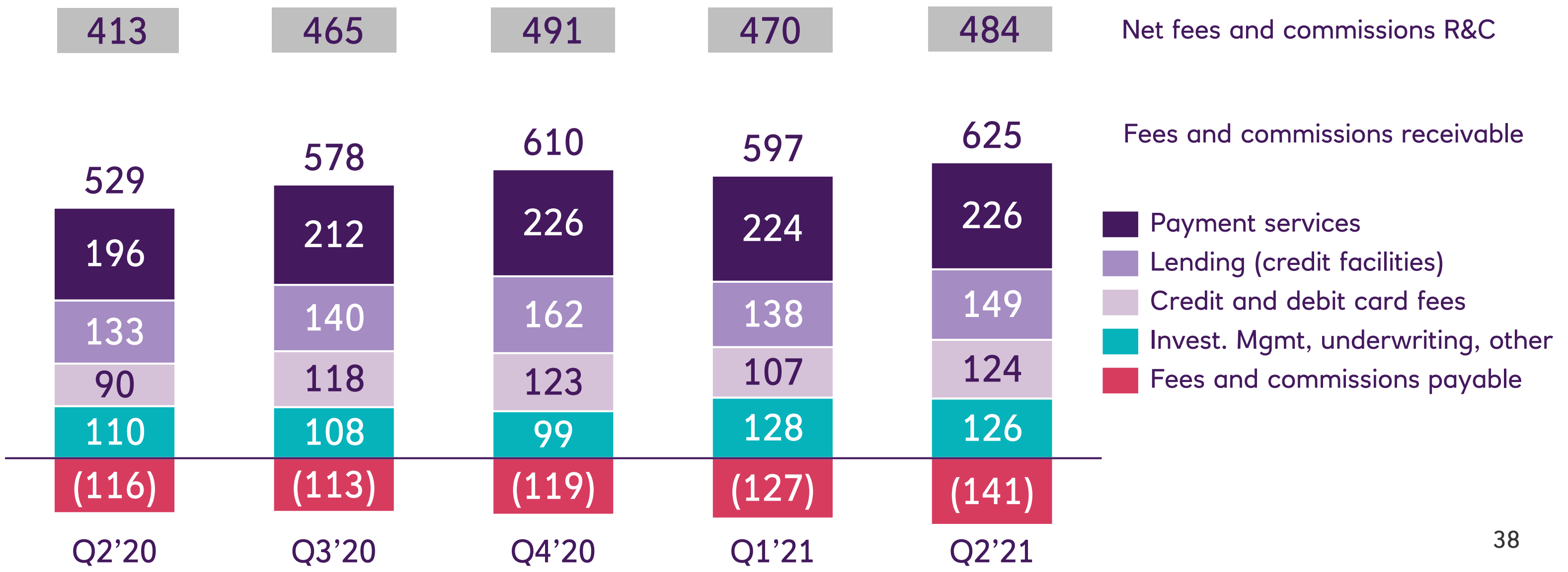
NatWest Markets[1] income down 25% over Q1'21 to £143m due to weaker Fixed Income performance and ongoing reshaping of the business

Retail & Commercial net fees and commissions[2] up £14m or 3% over Q1'21 including £12m of one-offs in Retail Banking

## Non Interest Income[1] £m




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




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

## 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, 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 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 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, 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).

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.