

NatWest Group plc

Investor Factbook

Q3 Results 2020



Key messages

A purpose led, customer focused business with capability to grow. Q3 results demonstrate the resilience of our underlying business and the strength of our balance sheet in the face of significant continued uncertainty

Intelligent and consistent approach to risk. Careful deployment of the Balance Sheet

Focus on simplification and taking costs out. We remain on track to achieve our cost reduction target of £250m for 2020 and now targeting NatWest Markets RWAs of around £30bn by the end of 2020

Robust balance sheet with strong capital & liquidity levels. We have shaped a business that should operate at a CET1 ratio of between 13% to 14% over the medium to long term

Focused on generating shareholder value. We remain committed to capital distribution as soon as possible, targeting a pay-out ratio of 40% over time

Resilient operating performance

Q3'20 Operating performance

£0.6 billion

Operating profit before impairment and £0.4bn Operating profit before tax in Q3'20

9M'20 Impairments

£3.1 billion

Impairment charges as at 9M'20. Q3'20 charge of 254m down significantly from Q2'20 charge

CET1 ratio %

18.2%

CET1 Ratio up 100bps vs Q2'20

Q3'20 & 9M'20 attributable profit

£61 million

Attributable profit Q3'20. (£0.6 bn) attributable loss in 9M'20, driven by impairment charges

Other expenses

£4.8 billion

Other expenses YTD excluding operating lease depreciation down £193m vs 9M'19

Liquidity Coverage ratio %

157%

Liquidity Coverage Ratio, down 9p.p. vs Q2'20

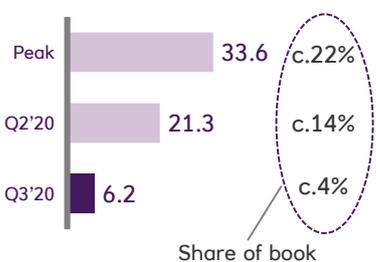
Good progress on strategic priorities

1 Supporting customers at every stage of their lives

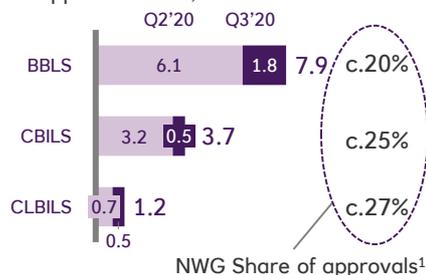
+10% Mortgage gross new lending vs Q2'20, applications up 91%

£12.8bn Approved Lending under government schemes, c.22% of total

Retail Banking Payment Holidays
Mortgage Payment Holidays, £bn



Commercial Banking Activity
Approved value, £bn



1. Of approved schemes, according to Data per HM Treasury available at 20th September 2020

3 Powered by innovation and partnerships

Digital engagement

9.3 million Active digital users at Q3'20 up 0.3m compared to Q3'19 levels.

Artificial Intelligence

6 million interactions with Cora – our AI Chat bot – across both Personal and Business customers in 9M'20 compared to 3.9m in same period in 9M'19

Payit

Open Banking solution for e-commerce payments Settlement within **2 hours**

1. Weekly conversation volumes as at week commencing 12th October 2020

Digital behavior

We added **250k** newly active mobile users in the third quarter

BlackRock

Support Private Banking with investment management processing activity, enabling savings to be passed onto our clients.

Use of digital tools

c. 9k Weekly video banking conversations now taking place¹, compared to less than 100 in Jan'20

2 Simple to deal with

£152m cost take-out in Q3'20, on track to meet 2020 target of £250m.

Attractive industry positions with capability to grow:

Retail Banking NatWest Group share of personal products



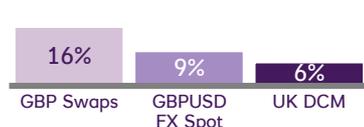
Private Banking % of new customers to Private Banking referred from the wider group⁶



Commercial Banking NatWest Group share of commercial products



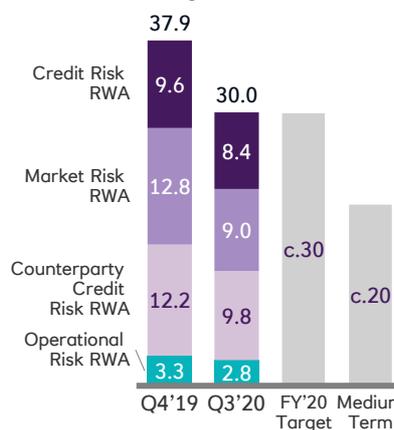
NatWest Markets Product share⁵



1. Personal Current Account (PCA) share based on CACI as at July 2020; 2. Based off August 2020 Bank of England data; 3. Commercial banking statistic is for businesses with turnover greater than £2m, Savanta MVBB Survey GB Q3 2020; 4. Of approved schemes, according to Data per HM Treasury available at 20th September 2020; 5. NWM Plc's share of total GBP Swaps based on volume of risk traded (executed delta), YTD 2020 on Tradeweb platform; NWM Plc's share of total GBPUSD FX Spot based on volume traded Q3 2020 on Bloomberg; UK DCM issuance based on deal volumes YTD 2020 from Dealogic; 6. Current estimate based on January to September referral data

4 Sharpened customer and capital allocation focus

NatWest Markets restructuring NWM RWA, £bn



Accelerating refocus of NatWest Markets

Further progress made to reshape the business, expected to be capital ratio accretive over the transition plan period, focussing on what matters most for our customers

£7.9bn reduction in RWA achieved in 9 months

NatWest Markets Plc¹:

**CET1:22.3%,
LCR 302%**

1. Figures for the NatWest Markets legal entity.

The guidance, targets, expectations and trends discussed in this Factbook represent management's current expectations and are subject to change, including as a result of the factors described in NatWest Group plc's "Risk Factors" on pages 108 to 109 of its H1 IMS, pages 29-31 of its Q1 IMS and pages 281 to 295 of its 2019 Annual Report & Accounts as well as NWM Plc's "Risk Factors" on pages 48-49 of its H1 IMS, pages 13-14 of its Q1 IMS and pages 143-156 of its 2019 Annual Report & Accounts. These statements constitute forward-looking statements.

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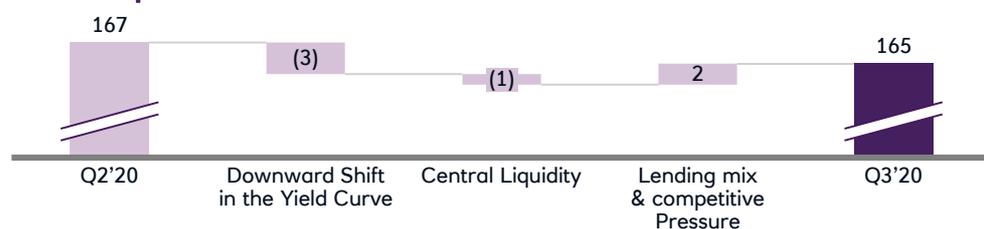
Q3'20 Key Financials

Results by business, 9M'20¹

£bn	Retail Banking	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items ²	9M'20	9M'19
Income	3.2	0.4	3.0	0.6	0.4	1.1	(0.3)	8.3	10.0
Operating expenses	(1.7)	(0.4)	(1.8)	(0.4)	(0.2)	(1.0)	(0.1)	(5.6)	(6.8)
Impairment losses	(0.7)	(0.3)	(1.9)	(0.1)	(0.1)	(0.0)	(0.0)	(3.1)	(0.5)
Operating profit (loss)	0.8	(0.2)	(0.7)	0.1	0.1	0.0	(0.5)	(0.4)	2.7
Funded Assets	189.5	27.4	186.9	24.9	32.7	121.3	44.6	627.3	600.7
Net L&A to Customers	166.7	18.3	110.0	16.5	12.8	10.1	19.3	353.7	319.5
Customer Deposits	164.9	19.6	161.3	30.3	30.4	4.7	7.2	418.4	369.7
RWAs	36.3	12.1	76.5	10.6	7.0	30.0	1.4	173.9	189.5
RoE (%)	12.2%	(16.6%)	(8.7%)	9.2%	10.0%	(0.8%)	n.m.	(2.7%)	6.8%
Cost : Income Ratio (%)	54%	98%	57%	63%	48%	96%	n.m.	67%	68%

1. Figures may not cast due to rounding; 2. Central items & other include unallocated transactions, including volatile items under IFRS.

NIM¹, bps



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

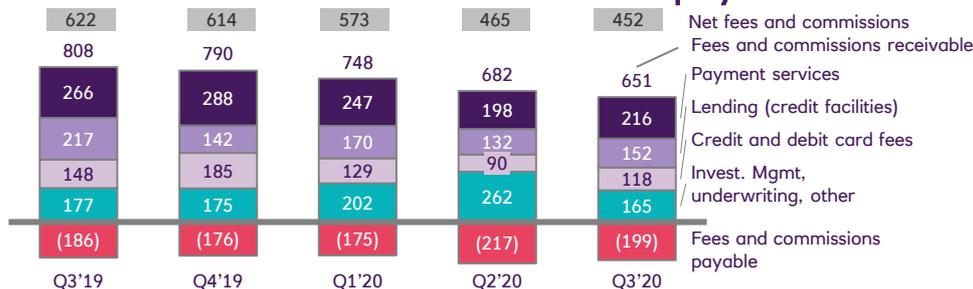
NIM broadly flat quarter on quarter

The lower yield curve reduced Bank NIM by 3bps.

Additional liquidity reduced Bank NIM by 1bp with only a small benefit to net interest income.

Higher overdraft rate and Commercial Banking mix change drove 2bps benefit to Bank NIM.

Fees and commissions receivable and payable £m



Fees and commission impacted by HCCR¹ and customer activity levels

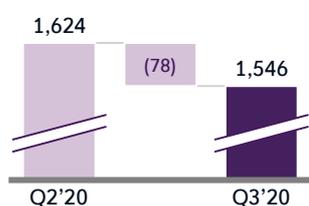
A reduction on last year mainly reflects regulatory changes in Retail Banking.

The noticeable reduction in payment services and credit and debit card fees year on year due to lower spending levels.

1. HCCR, High Cost of Credit Review

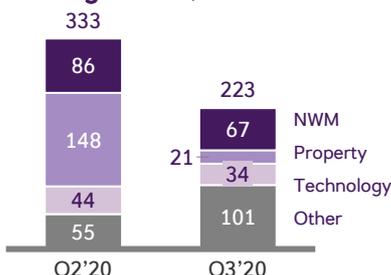
Costs

Other expenses, ex Operating Lease Depreciation¹, £m

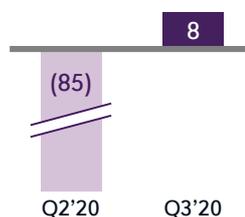


1. Operating Lease Depreciation £37m in Q3'20 and £37m in Q2'20.

Strategic costs, £m



Litigation and conduct costs, £m



Ongoing simplification focus

Achieved £193m of our full year target of £250m.

Strategic cost of £223m, reflects £90m in relation to redundancy.

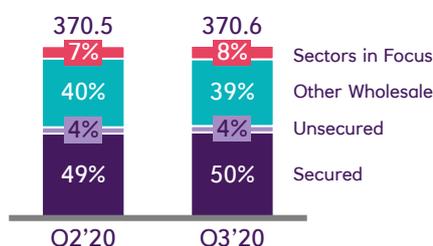
Total strategic costs for 9M'20 are £0.7bn and we continue to expect strategic costs for full year 2020 to be within our £0.8 - 1 billion guidance.

Loan Book

Total loans and advances¹, £bn



Composition of Q3 loan book^{1,2}



Balanced loan book with continued growth in the quarter

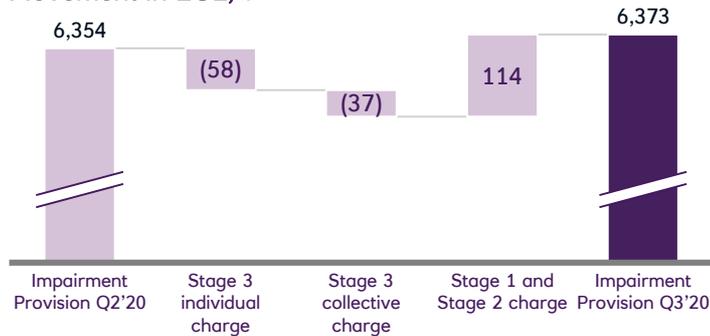
Gross banking loans grew £1.5bn in Q3 driven by mortgages and Government scheme lending partly offset by RCF repayments.

Limited unsecured exposure, representing 7% of Personal loans at Q3'20.

1. Loans - amortised cost and FVOCI; 2. May not cast due to rounding. Includes: Airlines and aerospace, Land transport and logistics, Leisure, Oil and Gas and Retail sectors - previously included Shipping. Subset of Corporate Loans, see pg 25 of the NatWest Group plc's Q3 IMS.

Impairments

Movement in ECL, £m



Q3'20 impairments of £254m take the 9M'20 charge to £3.1bn equivalent to 115bps of gross loans.

We believe the full year 2020 impairment charge is likely to be at the lower end of the £3.5 - 4.5 billion range.

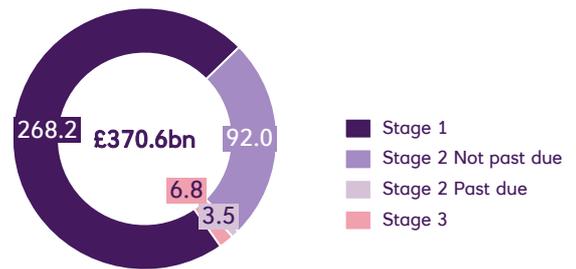
ECL provision was stable in the quarter at £6.4bn.

Stage Migration

	Personal ² : Mortgages			Personal ² : Credit card & unsecured			Wholesale ³		
	FY'19	H1'20	Q3'20	FY'19	H1'20	Q3'20	FY'19	H1'20	Q3'20
	Gross Loans ¹ %								
Stage 1	91.5%	84.0%	81.8%	70.9%	61.4%	58.8%	89.8%	60.2%	64.3%
Stage 2	6.6%	14.4%	16.7%	24.0%	32.5%	34.9%	8.5%	38.0%	34.7%
Stage 3	1.9%	1.6%	1.4%	5.1%	6.1%	6.3%	1.7%	1.9%	1.9%
ECL coverage %									
Stage 1	0.0%	0.0%	0.0%	1.0%	1.7%	1.8%	0.1%	0.3%	0.3%
Stage 2	1.0%	1.1%	0.9%	10.8%	16.0%	15.1%	1.9%	3.0%	3.4%
Stage 3	25.1%	24.3%	24.4%	82.7%	82.7%	81.9%	49.5%	44.3%	43.0%

Note: May not cast due to rounding. 1. Loans – amortised cost and FVOCI; 2. Includes UK PB, Ulster ROI, Private Bank, RBS; 3. Includes Property, Financial Institutions, Sovereign, Corporate

Total Loans & Advances by stage¹ £bn, Q3'20



97% of our loan book is in Stage 1 and 'not past due' Stage 2, the majority of customers remain up to date on payments.

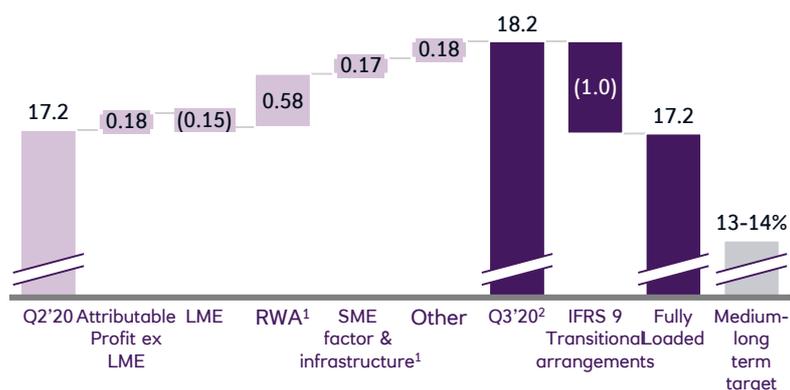
Diversified risk with manageable exposure to sectors most impacted by COVID-19.

1. Loans; amortised cost and FVOCI, may not cast due to rounding

RWA, £bn



Capital, CET1%



1. The infrastructure and SME factors reduced RWA by c.£1.8bn and is shown separate from other RWA changes.; 2. Including IFRS9 Transitional adjustment

Funding & Liquidity

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

Total funding mix (£bn)^{1, 2}



Liquidity portfolio (£bn)



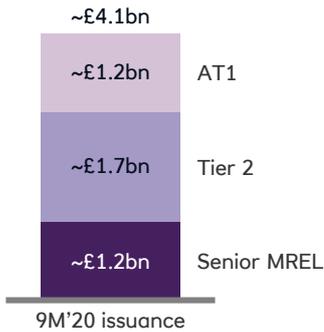
1. Funding excluding repos, derivative cash collateral; 2. Customer deposits includes amounts from NBFIs

Summary of guidance

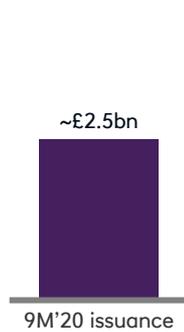
Costs	We remain committed to achieving a £250m cost reduction in 2020. We now expect strategic costs to be within our £0.8-1.0bn guidance after recognising property related charges in Q2'20.
Impairments	We believe the full year 2020 impairment charge is likely to be at the lower end of the £3.5-4.5bn range.
RWA	We now expect RWAs to be below our previously guided range of £185 – 195 billion at the end of 2020.
NWM RWAs	Now targeting NatWest Markets RWAs of around £30 billion by the end of 2020, with income disposal losses of around £0.2 billion , subject to market conditions. We intend to achieve the majority of the expected medium term reduction in NatWest Markets RWAs by the end of 2021, while managing the associated income disposal losses to around £0.6 billion over the two years.

Issuance against 2020 plan, £bn

NatWest Group plc:
issued by HoldCo

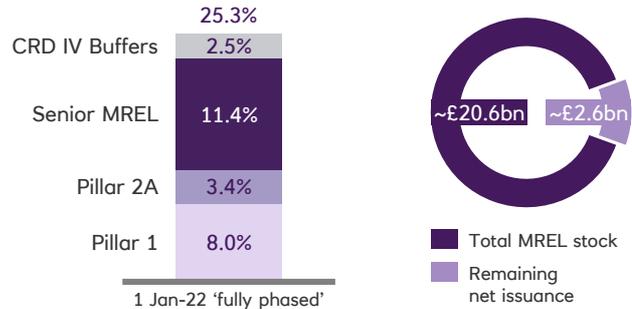


NatWest Markets Plc:
issued by OpCo



Future LAC Requirements

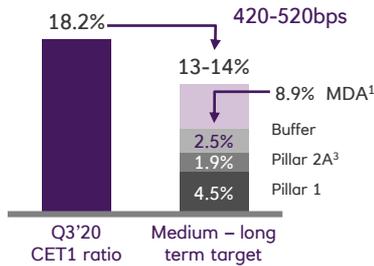
and progress towards future senior MREL¹ needs, Based on illustrative £200bn RWAs and static regulatory capital requirements^{2,3}



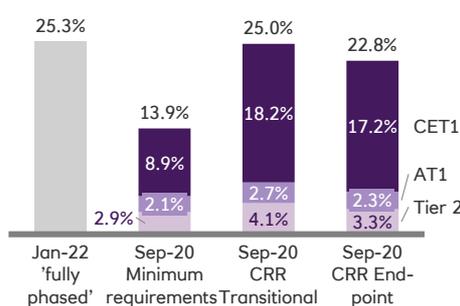
1. Minimum required eligible liabilities; 2. Illustration, based on assumption of static regulatory capital requirements. 3. NatWest Group plc's Pillar 2A requirement was 3.4% of RWAs as at 31 December 2019. 56% of the total Pillar 2A requirement, must be met from CET1 capital. From July 2020 the Pillar 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.

Capital headroom

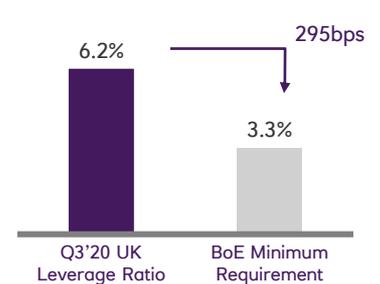
CET1 headroom above minimum requirements (MDA)^{1,2}



Q3 Capital adequacy ratios versus minimum requirements⁴



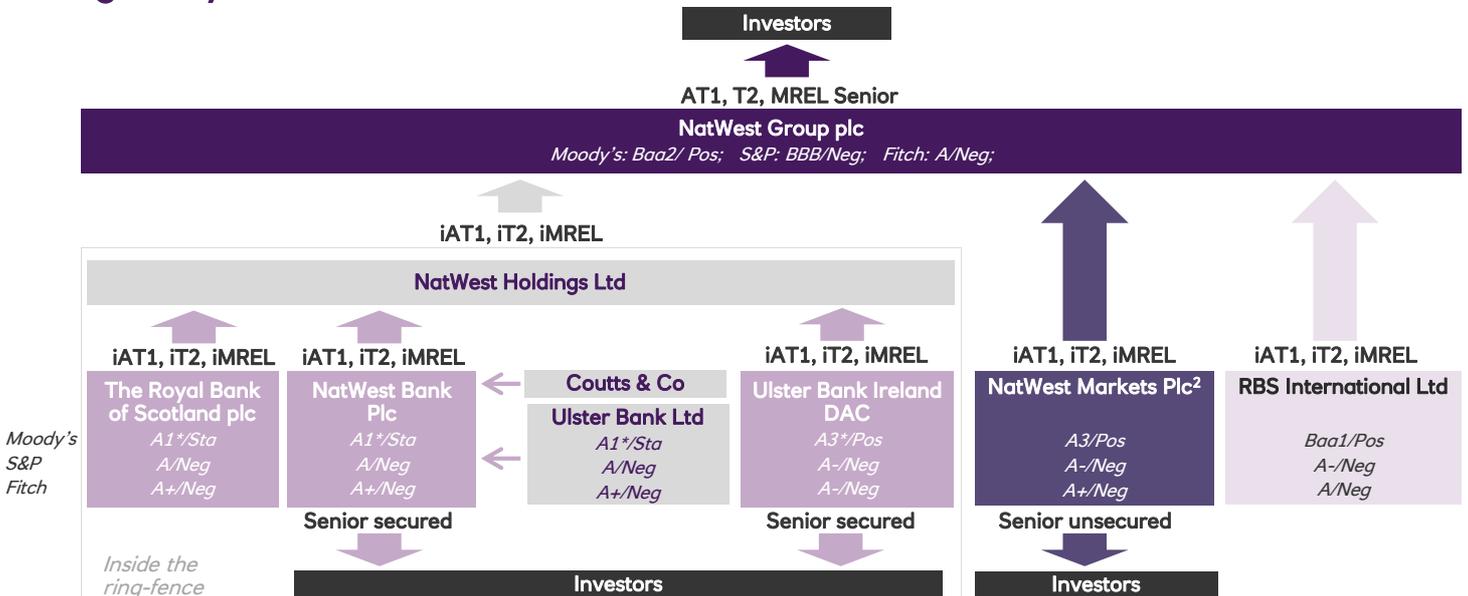
Headroom above minimum UK leverage requirements



Our CET1 ratio is now 420-520bps above our 13-14% target range and more than double our MDA

1. Refer to detailed disclosure on pg.16 of Q3'20 NatWest Group Plc 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 requirement was 3.4% of RWAs as at 30 September 2020. 56% of the total Pillar 2A requirement must be met from CET1 capital. 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. 4. Presented on a Capital Requirements Regulation ("CRR") basis. CRR transitional includes grandfathered capital instruments and the adjustments for the IFRS 9 transitional arrangements. The end-point basis includes IFRS 9 on a fully-loaded basis.

Issuing entity structure¹



* Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd (no senior debt outstanding). The Issuer Rating are as follows: A2/Pos for NatWest Bank Plc/The Royal Bank of Scotland plc, Baa1/Pos for Ulster Bank Ireland DC, A2/Pos for Ulster Bank Ltd. 1 External issuance of AT1, Tier 2 and MREL will be from NatWest Group plc, subsidiaries will only issue AT1, Tier 2 and MREL internally. NatWest Bank Plc and Ulster Bank Ireland DAC will issue senior secured externally and Natwest Markets Plc will issue senior unsecured externally. 2 The Royal Bank of Scotland Group plc was renamed NatWest Group on 22nd July 2020.