NatWest Group plc
Investor Factbook
H1 Results 2020

Key messages

Strong customer franchises. Supporting people, families and businesses through the Covid-19 crisis

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

Focus on simplification and taking costs out. Deliver £250m cost reduction in 2020 and continue to target a reduction in NatWest Markets RWAs to £32 billion by the end of FY'20

Robust balance sheet with strong capital & liquidity levels. Substantial CET1 headroom of c.830bps above Maximum Distributable Amount (MDA) ratio (8.9%). Significant excess liquidity

Focused on generating shareholder value. Committed to resuming capital distributions when appropriate

Key results

Operating profit[1]
£2.1 billion
Operating Profit before impairment losses, up 3% on H1'19

Attributable loss
(£0.7) billion
£2.0 billion attributable profit in H1'19

Impairments
£2.9 billion
Impairment charges as at H1'20

Other expenses[2]
£3.3 billion
Operating expenses excluding Operating lease depreciation down £41m vs H1'19

CET1 ratio %
17.2%
CET1 Ratio up 60bps vs Q1'20

Liquidity Coverage ratio %
166%
Liquidity Coverage Ratio +14p.p. vs Q1'20

1. Excluding the £990m impact of the strategic disposal (Alawwal) in Q2'19; 2. Operating expenses ex. operating lease depreciation

Supporting our customers through the Covid crisis

IT investment powering operational effectiveness and innovation agenda

5th Mar

Credit scoring on the mobile app: 1.8m customers using the feature, NPS +52[1]

4th May

Bounce back loans: Fully digital application launched in 6 days

25th Jun

Payit

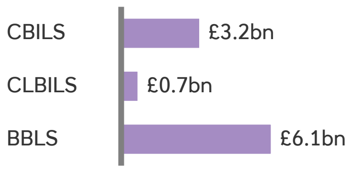
Payit: Open Banking solution for e-commerce payments; Settlement within 2 hours

All statistics quoted are as at 30/06/2020, unless otherwise stated
1. As at April 2020

Lending support

UK PB: Payment holidays, #

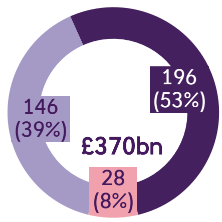
Commercial Banking: Government schemes, Approved £bn



CBILS: Coronavirus Business Interruption Loan Scheme; CLBILS: Coronavirus Large Business Interruption Loan Scheme; BBLS: Bounce Back Loan Scheme

Disciplined approach to risk

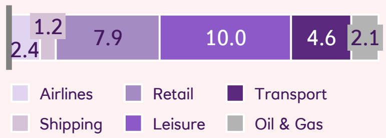
Total Loans & Advances[1], H1'20



7% unsecured exposure in Personal loan book

Stable average LTV: 57% with 12% LTV >80%

Spotlight on sectors in focus for management
Total loans and advances[1,2], £bn



£28bn (vs. £29bn in Q1'20)

1. Loans – amortised cost and FVOCI
2. Subset of Corporate loans, see p.46 of the NatWest Group plc's H1 IMS

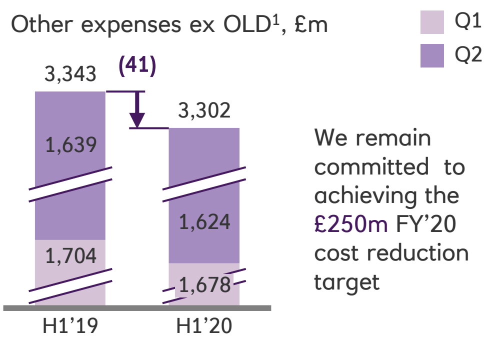
Update on strategic priorities

Committed to our 4 strategic priorities

1. Supporting customers at every stage of their lives
2. Simple to deal with
3. Powered by innovation and partnerships
4. Sharpened customer and capital allocation focus

2 Cost reduction

Other expenses ex OLD[1], £m

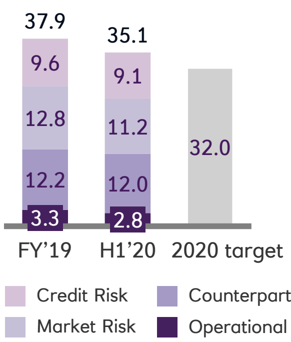


We remain committed to achieving the £250m FY'20 cost reduction target

1. Operating Lease Depreciation £68m in H1'19, £73m in H1'20

4 NatWest Markets restructuring

NWM RWA, £bn



We reconfirm our target of £20bn RWAs in the medium term and now intend to achieve the majority of this reduction by the end of 2021, while managing associated income disposal losses to ~£0.6bn over the 2 years (~£0.2bn in FY'20)

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 109 to 110 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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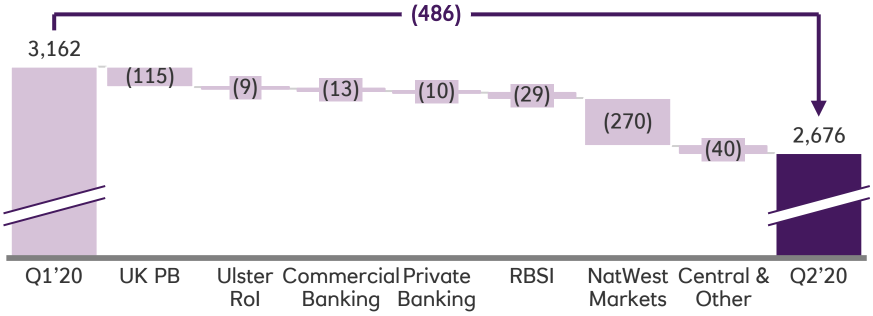
H1'20 Key Financials

Results by business

£bn	UK Personal Banking	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items[1]	H1'20	H1'19[2]
Income	**2.2**	**0.2**	**2.0**	**0.4**	**0.3**	**0.8**	**(0.1)**	**5.8**	**6.1**
Operating expenses	(1.1)	(0.2)	(1.2)	(0.3)	(0.1)	(0.7)	(0.1)	(3.8)	(4.1)
Impairment losses	(0.7)	(0.2)	(1.8)	(0.1)	(0.0)	(0.0)	(0.0)	(2.9)	(0.3)
Operating profit (loss)	**0.5**	**(0.2)**	**(1.0)**	**0.1**	**0.1**	**0.1**	**(0.2)**	**(0.8)**	**1.7**
Funded Assets	187.1	27.6	186.0	23.9	31.5	122.9	44.5	623.5	584.3
Net L&A to Customers	**164.5**	**18.7**	**112.0**	**16.0**	**12.7**	**11.4**	**17.0**	**352.3**	**310.6**
Customer Deposits	161.0	20.0	159.6	29.8	29.5	5.5	2.9	408.3	361.6
RWAs	36.7	12.8	78.3	10.4	6.8	35.1	1.4	181.5	188.5
LDR (%)	102%	94%	70%	54%	43%	n.m.	n.m.	86%	86%
RoE (%)	**10.7%**	**(24.2%)**	**(17.9%)**	**8.2%**	**11.8%**	**0.8%**	**n.m.**	**(4.4%)**	**n.m.**
Cost : Income Ratio (%)	49%	98%	60%	64%	49%	87%	n.m.	64%	57%

1. Central items & other include unallocated transactions, including volatile items under IFRS; 2. Excluding the £990m impact of the strategic disposal (Alawwal) in Q2'19

Income, £m

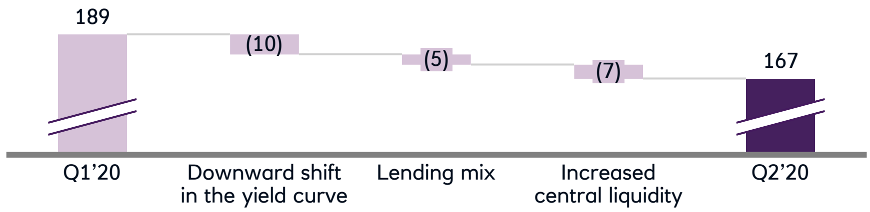


UK PB income decreased by 10% due to lower overdraft fees, Covid-19 support measures and significantly reduced card spend

Commercial Banking income decreased by 1% as lower deposit funding benefits and reduced business activity offset balance sheet growth

NWM: Income excluding asset disposals / strategic risk reduction and OCA increased by £50m driven by Financing as credit markets stabilised

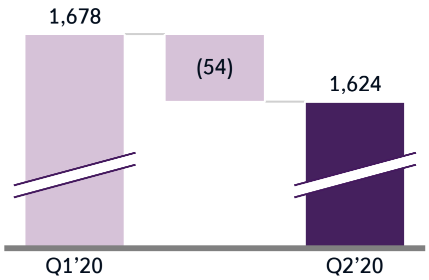
NIM, bps



NIM decrease reflects the contraction of the yield curve, the impact of a change in the mix of lending, and an increase in excess levels of central liquidity.

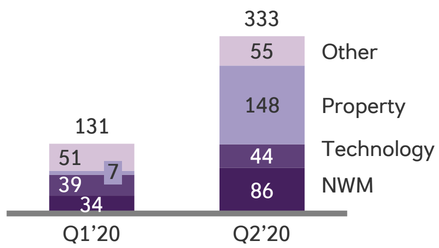
Costs

Other expenses ex OLD, £m

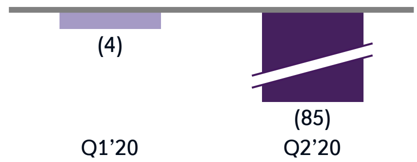


Strategic costs, £m

Additional property exit



Litigation and conduct costs, £m



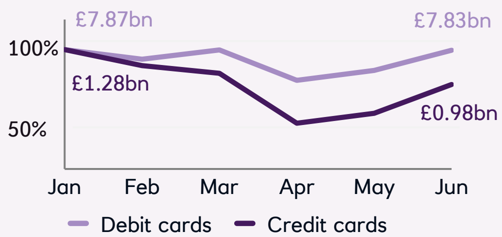
PPI release of £150m as we near completion of the remediation process

We remain committed to achieving the £250m FY'20 cost reduction target, through digitisation of our Personal Banking offering, delivery of our NatWest Markets Strategy and simplification of our Technology estate

Evolution of activity

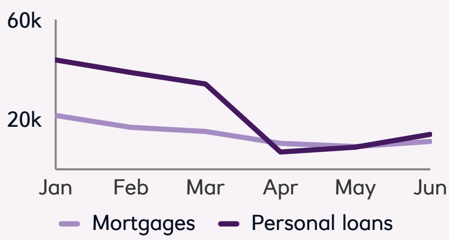
Debit and credit card spend

UK PB: Monthly spend, as % of January spend



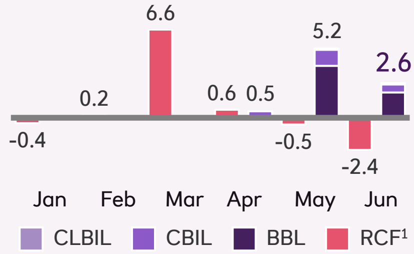
Mortgages & Personal loans

UK PB: Monthly new loans, #



Commercial Banking lending

Month on month movement, £bn

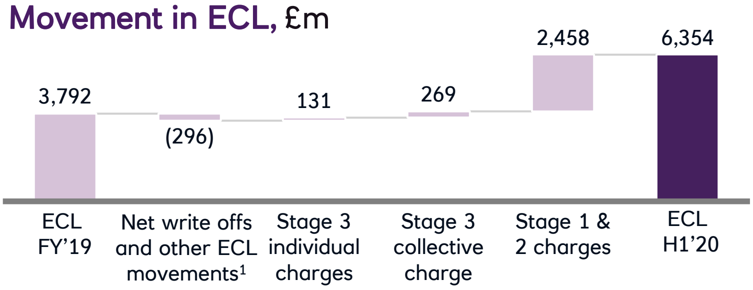


1. RCF: Revolving Credit Facilities

Impairments

Impairment charge for Q2'20 of **£2.1bn** vs £0.8bn in Q1'20
We believe the full year 2020 impairment charge is likely to be in the range of **£3.5-4.5bn**

Movement in ECL, £m



Scenario methodology

3 step approach

1. Selected four economic scenarios - with two central scenarios - and probability weightings
2. Applied model adjustments for the effect of government intervention for both a delay effect and a default mitigation effect
3. Added expert credit judgement for high risk population stage migration and other uncaptured risks

1. Impaired loans are written off and therefore derecognised from the balance sheet when NatWest Group plc concludes that there is no longer any realistic prospect of recovery of part, or all, of the loan. For loans that are individually assessed for impairment, the timing of the write off is determined on a case by case basis. Such loans are reviewed regularly and write off will be prompted by bankruptcy, insolvency, renegotiation and similar events. Other ECL items include the impact of Fortuitous Recoveries, FX and Discount Unwind

Stage migration

		Personal[2]: Mortgages		Personal[2]: Credit card & unsecured		Wholesale[3]	
		FY'19	H1'20	FY'19	H1'20	FY'19	H1'20
Gross Loans[1] %	Stage 1	91.5%	84.0%	70.9%	61.4%	89.8%	60.2%
	Stage 2 - Not Past Due	5.6%	13.5%	22.0%	30.2%	8.1%	36.3%
	Stage 2 - Past Due	1.0%	0.9%	2.0%	2.3%	0.4%	1.7%
	Stage 3	1.9%	1.6%	5.1%	6.1%	1.7%	1.9%
ECL coverage %	Stage 1	0.0%	0.0%	1.0%	1.7%	0.1%	0.3%
	Stage 2	1.0%	1.1%	10.8%	16.0%	1.9%	3.0%
	Stage 3	25.1%	24.3%	82.7%	82.7%	49.5%	44.3%

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

IFRS9 accounting treatment

Maintained Q1 IFRS 9 accounting treatment approach to customer support schemes (payment holidays, CBILs)

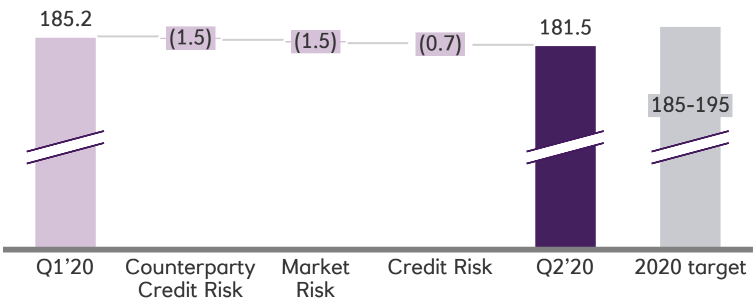
The increase in stage 2 exposures reflects PD deterioration from the adoption of our four macroeconomic scenarios and expert judgement.

Conservative SICR PD threshold of 10 basis points used for Wholesale portfolio.

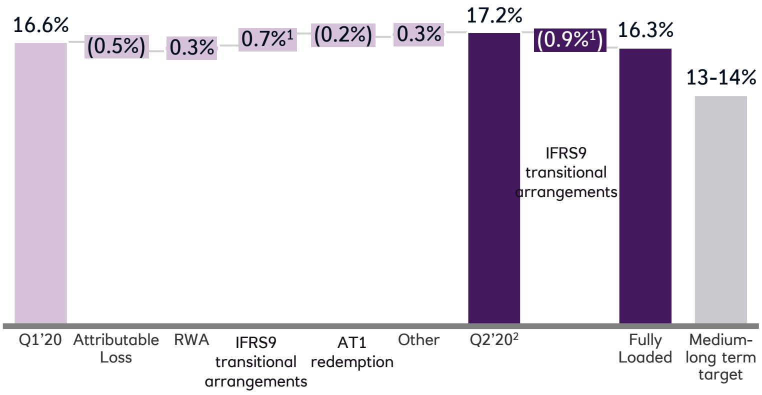
Our conservative 10 basis points threshold has led to a significant migration of up-to-date balances from stage 1 to stage 2

At 75bps threshold group stage 2 balances would be £16bn lower and ECL £60m lower.

RWA, £bn



Capital, CET1%

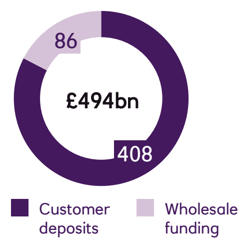


1. 70bps of IFRS9 transitional arrangements in Q2 and 20bps in Q1; 2. Including IFRS9 Transitional adjustment

Funding & Liquidity

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

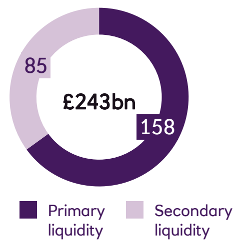
Total funding mix (£bn)[1,2]



86% Loan to Deposit Ratio

£22bn Short-term Wholesale Funding

Liquidity portfolio (£bn)



166% Liquidity Coverage Ratio

144% Net Stable Funding Ratio

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

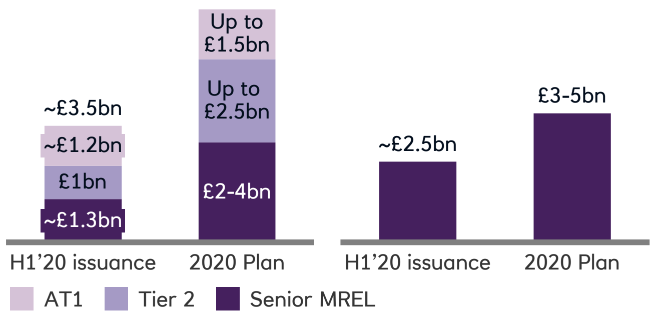
Summary of guidance

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 in the range of £3.5-4.5bn
RWA	We expect to end 2020 with RWAs in the range of £185 – £195bn
NWM RWAs	We continue to target a reduction in RWAs to £32bn by the end of 2020, with income disposal losses around £0.2bn, subject to market conditions. We now intend to achieve the majority of the expected medium term reduction in RWAs by the end of 2021, while managing the associated income disposal losses to around £0.6bn over the two years.

Issuance against 2020 plan, £bn

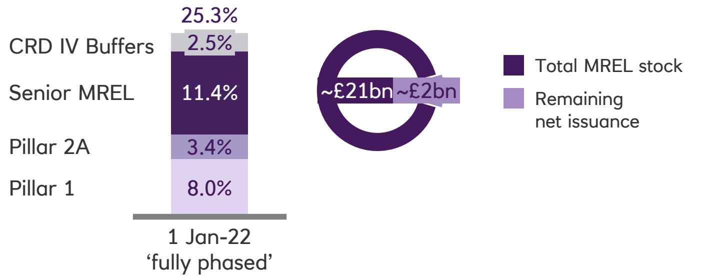
NatWest Group plc: issued by HoldCo

NatWest Markets Plc: issued by OpCo



Future LAC Requirements

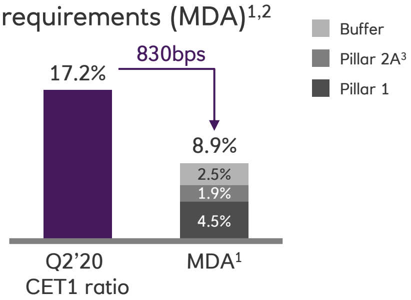
and progress towards future senior MREL[1] needs, Based on illustrative £200bn RWAs and static regulatory capital requirements[2,3]



1. Minimum required eligible liabilities; 2. Illustration, based on assumption of static regulatory capital requirements. 3. NatWest Group'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.

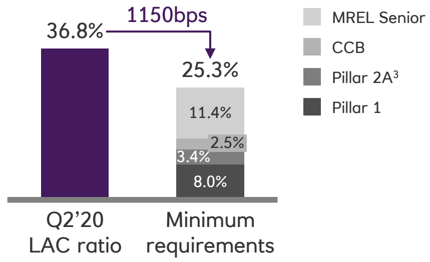
Capital headroom

CET1 headroom above minimum requirements (MDA)[1,2]



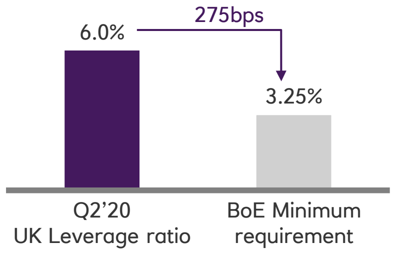
Headroom above UK listed banks average of 365bps[4]. £15bn of headroom in Q2'20.

Total LAC ratio above end-state minimum requirements[2]



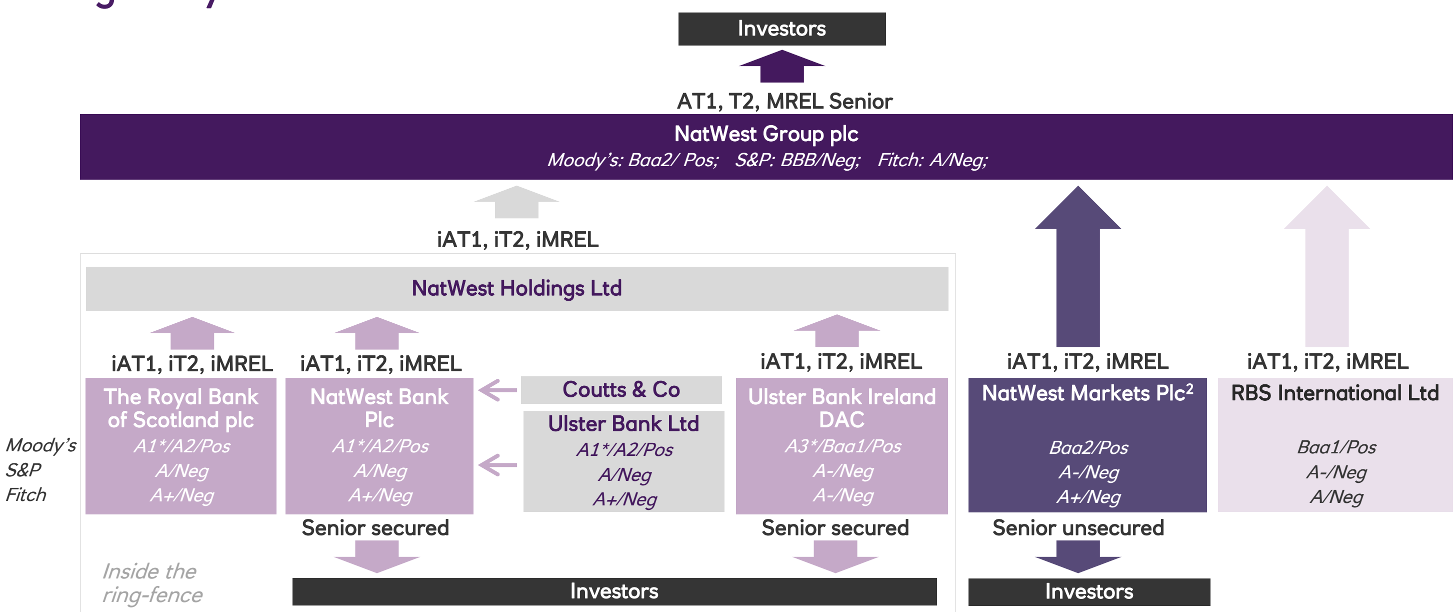
LAC ratio is 1150bps above 1-Jun-2022 requirements

Headroom above minimum UK leverage requirements



1. Refer to detailed disclosure in IMS. Headroom presented on the basis of MDA, 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 June 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. UK listed banks average of Lloyds, Barclays Group, Santander UK and HSBC Group based on Q1'20 data

Issuing entity structure[1]



* Reflects the Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd. All other ratings reflect the long-term issuer/senior unsecured ratings.
1. Future 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. Includes NatWest Markets N.V. (Moody's: Baa2/Pos; S&P: A-/Neg; Fitch: A+/Neg) and NatWest Markets Securities Inc (Moody's: NR; S&P: A-/Neg; Fitch: A/Neg)