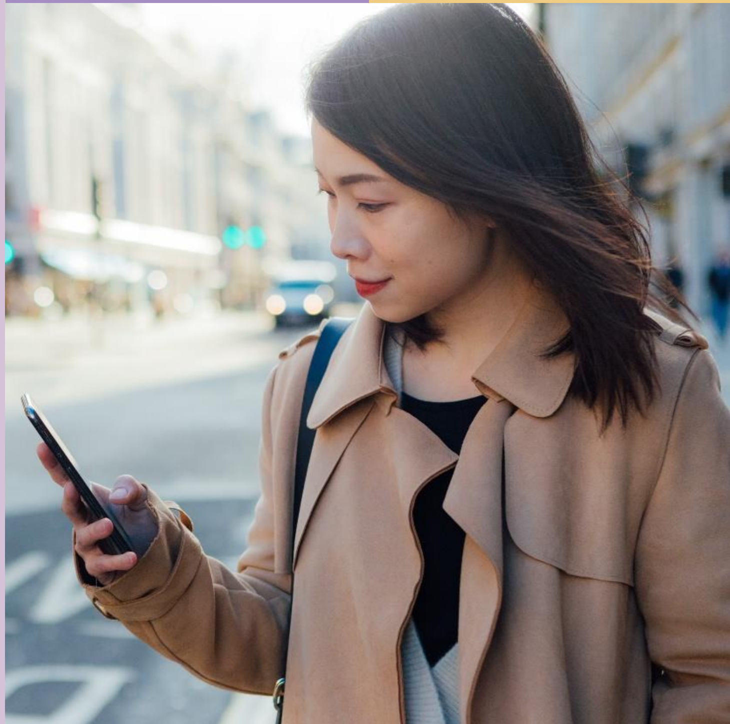
H1 2020 Results



31st July 2020

Agenda

Topic	Presenter
Performance update	Alison Rose
Detailed H1 & Q2 results	Katie Murray
Investment case	Alison Rose

Performance update

ALISON ROSE, Chief Executive Officer

H1 2020 highlights

Operating loss before tax £0.8bn driven by net impairments of £2.9bn

Robust capital position with strong liquidity levels

Operating profit[1]

£2.1 billion

Operating Profit before impairment losses, up 3% on H1'19

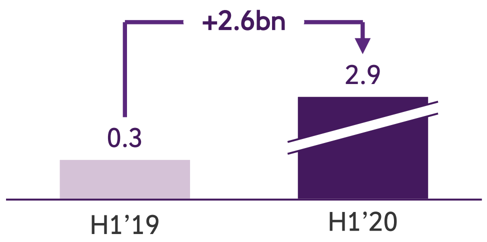
(£0.8) billion

Operating Loss before tax, down £2.5 billion vs H1'19

Impairments

£2.9 billion

Impairment charges as at H1'20



CET1 ratio %

17.2%

CET1 Ratio up 60bps vs Q1'20

16.6% → 17.2%

Q1'20 Q2'20

Attributable loss

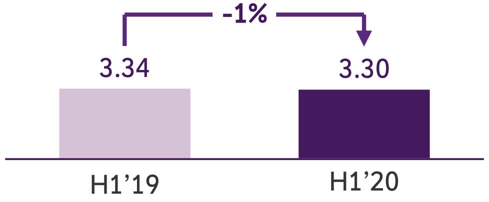
(£0.7) billion

£2.0 billion attributable profit in H1'19

Other expenses[2]

£3.3 billion

Operating expenses excluding Operating lease depreciation down £41m vs H1'19



Liquidity Coverage ratio %

166%

Liquidity Coverage Ratio +14p.p. vs Q1'20

152% → 166%

Q1'20 Q2'20

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

We have a robust absolute and relative capital position versus UK listed banks – this is underpinned by a resilient, capital generative and well diversified business

£2.9bn

Impairment charge

Q2'20 Impairment charge of £2.1bn vs £0.8bn in Q1'20

Our ECL provision has increased to £6.4bn

Majority of expected FY'20 impairment charge captured in H1'20

Expect FY'20 Impairment charge in the range of £3.5bn to £4.5bn (1% to 1.3% of Loans and advances[3]) based on current economic assumptions

17.2%

CET1 ratio

We have shaped a capital generative business that in the medium to long term will operate at a CET1 ratio of 13%-14%

Robust capital levels:
- 320-420 bps or c.£5.8-7.6bn headroom to target CET1 ratio
- 830 bps or £15bn headroom to MDA[2]
- UK listed banks average MDA[2] headroom of 365bps[1]

Clear intention to return to paying dividends as soon as possible, targeting a pay-out ratio of 40% over time.

Capital return to shareholders is a clear preference with all other options only considered if they provide compelling shareholder value and strategic rationale

1. UK listed banks average of Lloyds, Barclays Group, Santander UK and HSBC Group based on Q1'20 data
2. Maximum Distributable Amount
3. Based on Total Loans and advances at H1'20

Key messages

Safe

Simple

Smart

Purpose-led, long term decision making

Strong customer franchises

Balanced 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

IT investment powering operational effectiveness and innovation agenda

In UK PB we now have over 7.2 million active mobile users, whilst three quarters of our current account customers in UK PB and almost all Commercial Banking customers regularly use digital banking.

Digital sales mix for UK PB is 80% as at Q2'20, up from 55% in Q1'20 and 49% in Q2'19

Strong innovation pipeline in H1 2020

Credit scoring on the mobile app

1.8m customers using the feature, NPS +52[3]

5th March

Bounce back loans

Fully digital application launched in **6 days**

4th May

Payit

Open Banking solution for e-commerce payments

Settlement within **2 hours**

Payit®

25th June

Enabled our customers' rapid digital shift

Digital engagement

H1'20

500,000+

New mobile app downloads

485,000+

New online banking customers

Online payments[2]

H1'20

42m+

Online Banking payments

c.+17%

Average daily mobile payments, June vs. Jan 2020

Use of digital tools

tyl Intelligent payments tool for SMEs

c.4.6m

Transactions processed to date, worth nearly **£160m**

+18pts[1] increase in NPS for Branch network (Retail)

+20 Q2'20 NPS for Commercial Banking

All statistics quoted are as at 30/06/2020, unless otherwise stated

1. Vs pre-Covid levels (average of December 2019 to February 2020
2. Refers to UK PB
3. As at April 2020

UK Personal Banking and Commercial Banking activity in H1'20

UK PB: New mortgages and personal loans down 43% and 75% in Q2 vs. Q1, with signs of improvement from June following the easing of lockdown restrictions and stamp duty changes

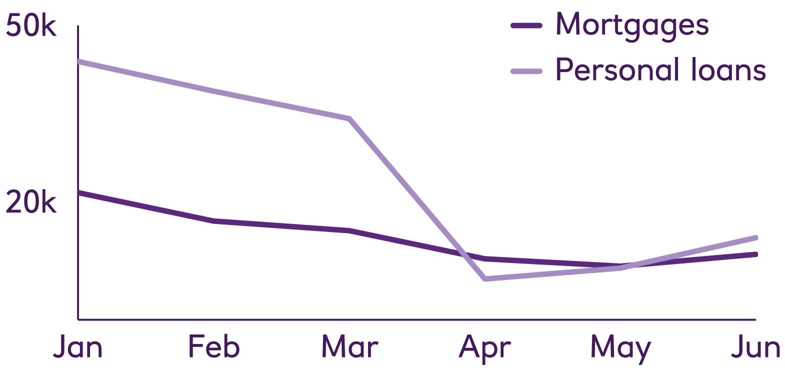
Debit card spend decreased by 10% in Q2, as reduced spend was partially offset by substitution of cash for card

Commercial Banking customer behaviour resulted in increased utilisation of RCFs before government measures introduced in April, with customers paying down on RCFs and taking up government support schemes

Personal Banking: UK PB lending & card spend

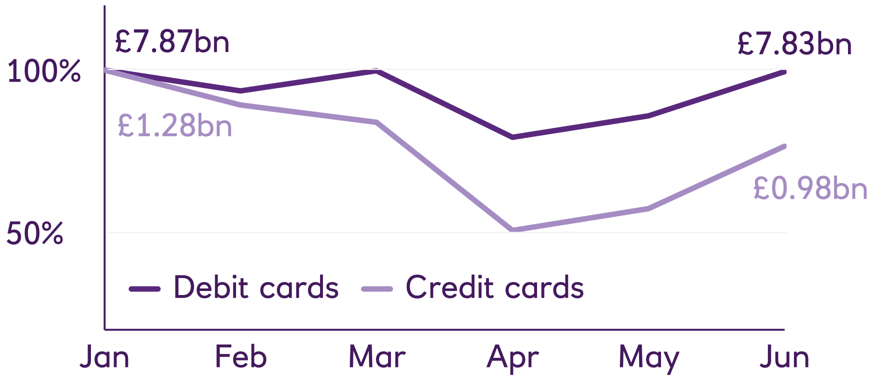
Mortgages & Personal loans

Monthly new loans issued, #



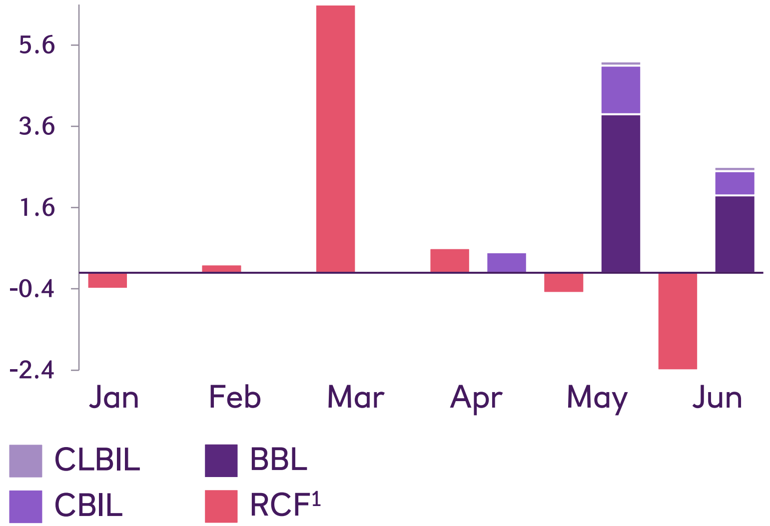
Debit and credit card spend

Monthly spend, as % of January spend



Commercial Banking lending

Month on month movement, £bn



July highlights

- Debit and credit card spend are up 10% on June levels
- Mortgage completions are up 10% on June levels
- Mortgage application volumes have increased c.30% on June levels and are nearing pre-Covid levels
- Weekly commercial card and cash transactions have more than doubled by volume from a low point in April
- Demand for Government schemes is now tapering off from the initial peak. In July we have seen up to 2000 applications a day for bounce back loans compared to an average of 20,000 a day in the week they were launched and around 48,000 on the first day

1. RCFs: Revolving Credit Facilities

People & Families

UK Personal Banking continues to support customers whose income has been impacted by Covid-19

Business

Providing lending support to our Commercial Banking customers, with a disciplined approach in line with our risk appetite

Lending support has been extended only to our existing customers and is generating positive ROE

UK Personal Banking

	Payment holidays Volumes	% of book	% requested extension after initial holiday period
Mortgages	240,000	20%	approximately 1/3rd
Personal Loans	72,000	7%	approximately 1/3rd

Commercial Banking

	Application value £bn	Approved £bn	% Market Share[4]	Drawn £bn
CBILS[1]	c.£4.0bn	3.2	c.30%	2.3
CLBILS[2]	c.£1.2bn	0.7	c.28%	0.2
BBLS[3]	c.£7.8bn	6.1	c.20%	5.8

1. CBILS: Coronavirus Business Interruption Loan Scheme
2. CLBILS: Coronavirus Large Business Interruption Loan Scheme
3. BBLS: Bounce Back Loan Scheme
4. Of approved schemes, according to Data per HM Treasury

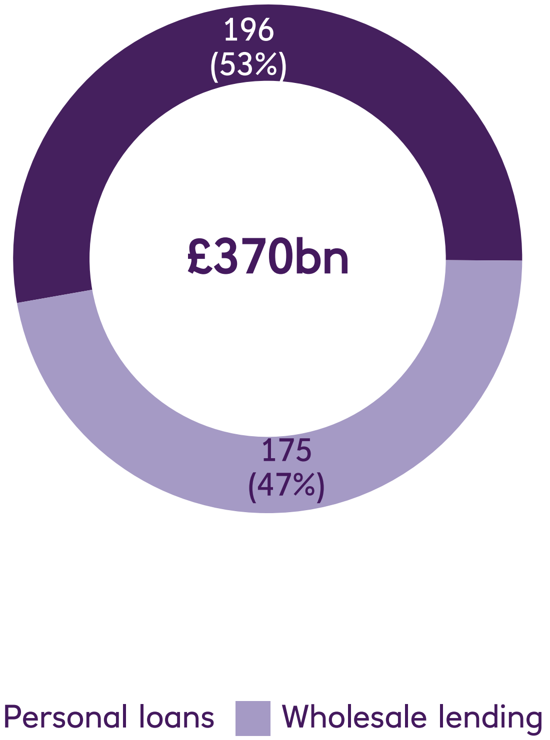
All statistics quoted are as at 30/06/2020, unless otherwise stated

Loan book is well diversified across Personal Banking

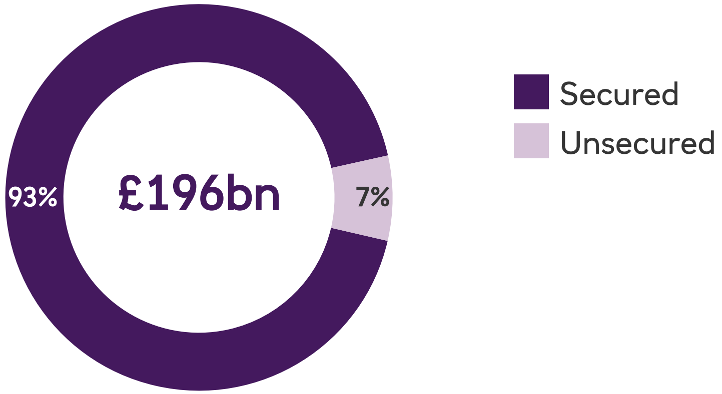
Limited unsecured exposure in our personal loan book

Stable average loan-to-value (LTV) within the mortgage book

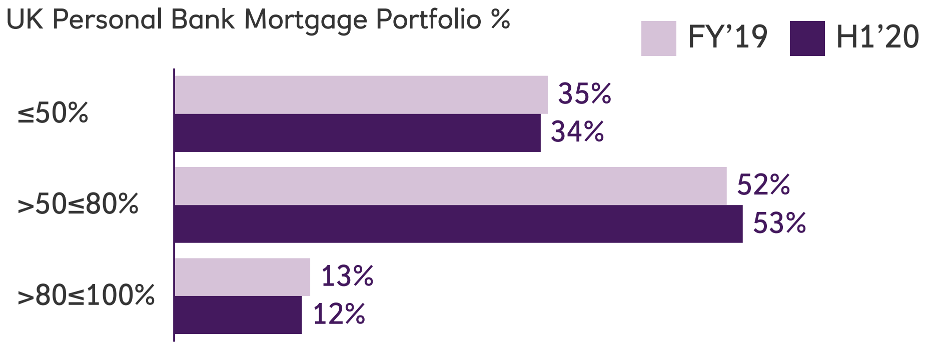
Total Loans & Advances[1], H1'20



Spotlight on Personal loans, H1'20



UK Personal Banking Mortgages by LTV band[1]



FY'19 57% → Weighted avg. LTV → **H1'20** 57%

1. Figures may not cast due to rounding. Loans – amortised cost and FVOCI

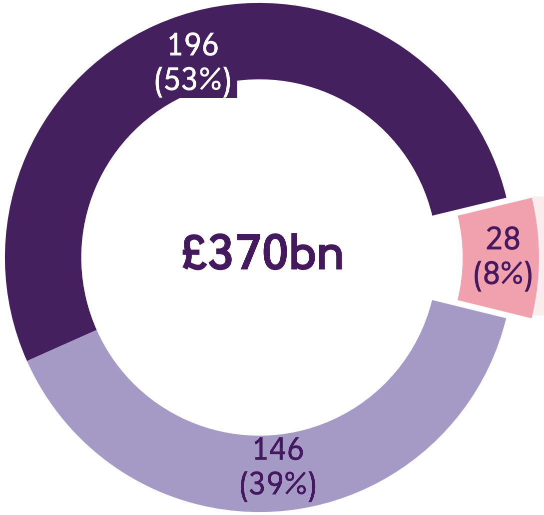
Loan book is well diversified across Commercial Banking

Management is focused on key sectors affected by COVID-19

Exposure to sectors in focus is down on Q1

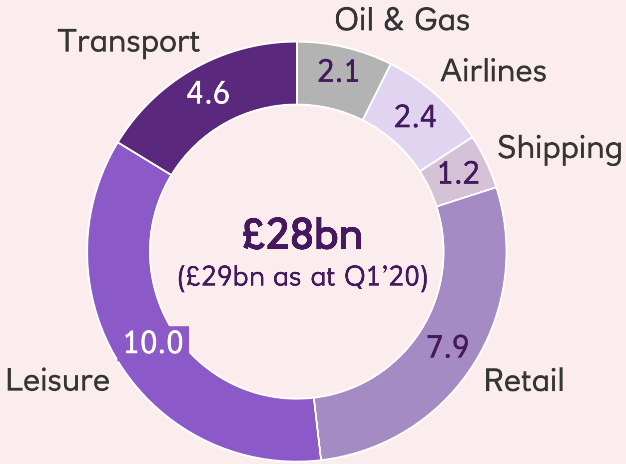
Stage 3 loans are £1bn with an appropriate ECL coverage ratio of 55%

Total Loans & Advances[1], H1'20



Spotlight on sectors in focus for management, H1'20

Total loans and advances[1,2], £bn



Stage	Loans, £bn	Loans, %	ECL coverage, %
Stage 1	7.8	27.7%	0.7%
Stage 2	19.4	68.7%	3.9%
Stage 3	1.0	3.6%	55.3%

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

H1’20: Deposit growth

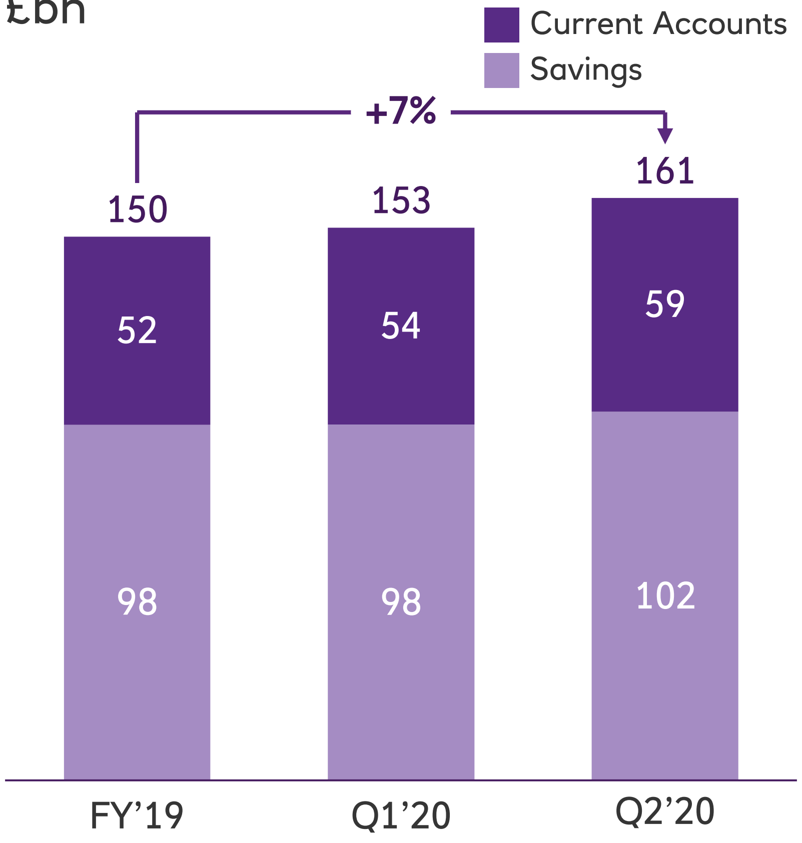
Total customer deposits increased by **£39bn (+11%)** vs FY’19

Personal Banking customer deposits increased by **£11bn (+7%)** vs FY’19 reflecting lower consumer spending and increased savings

Commercial deposits grew by **£25bn (18%)** over the same period, reflecting customers retaining liquidity, including new funds received through government schemes

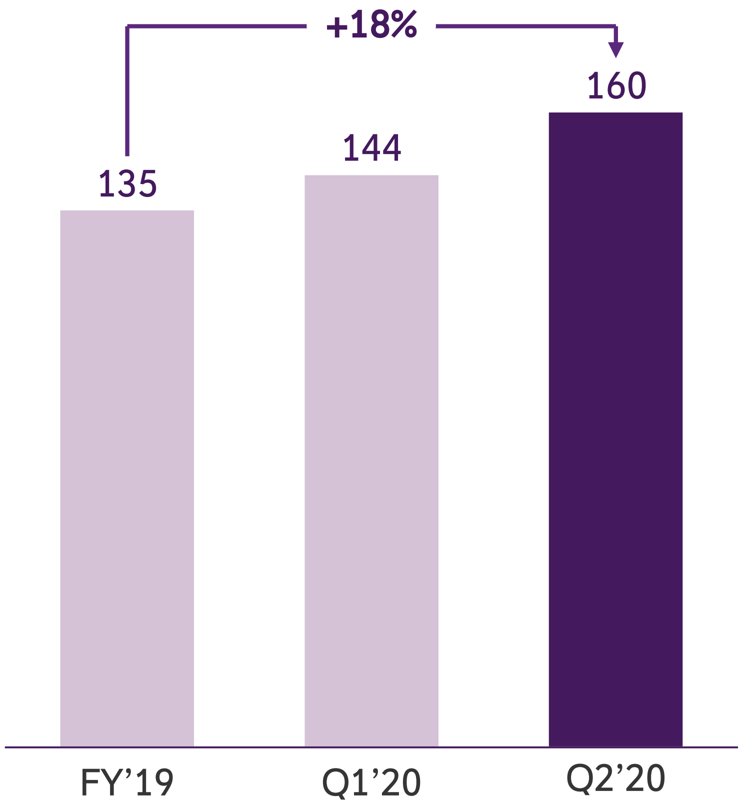
UK Personal Banking[1]

£bn



Commercial Banking

£bn



% of total deposits

	FY’19	Q1’20	Q2’20
UK Personal Banking	41%	40%	39%
Commercial Banking	37%	37%	39%

1. Figures may not sum due to rounding

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

Strategic priorities

Simple to deal with

Reengineering-led simplification to drive better customer experience and colleague engagement

Powered by innovation and partnerships

Strong pace of business model innovation and partnership

Supporting customers at every stage of their lives

Evolve our propositions to reflect changing customer behaviour

Sharpened customer and capital allocation focus

Refocus NWM to meet the needs of customers – capital ratio accretive

Ambitious targets on Enterprise, Learning and Climate

Accelerating refocus of NatWest Markets

Refocusing NatWest Markets to serve our corporate and institutional customers

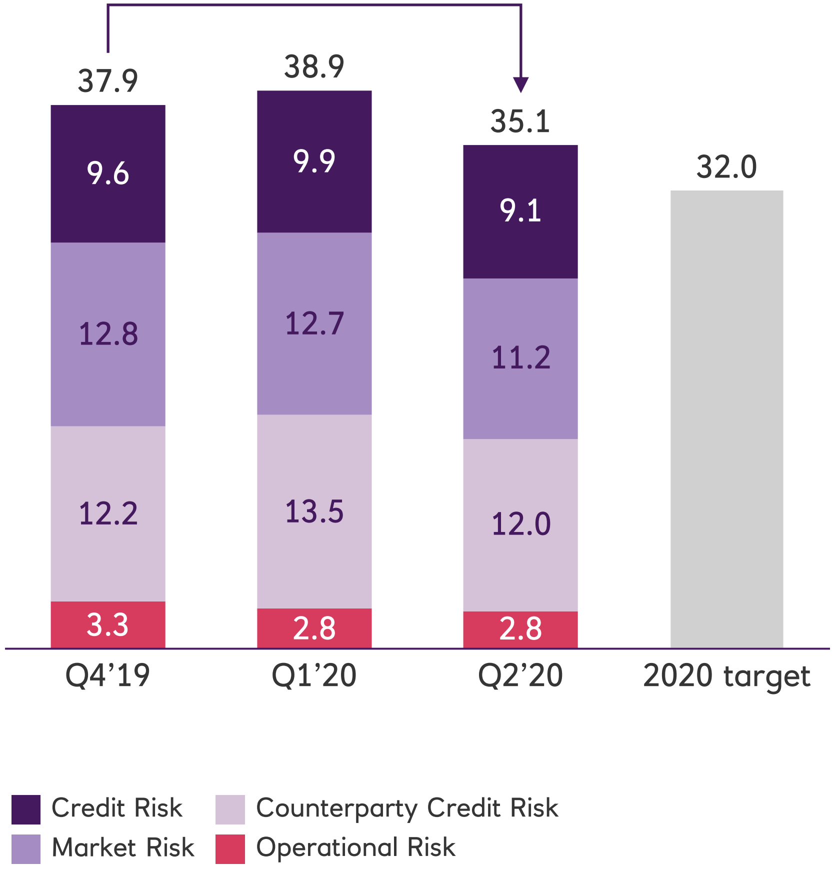
We continue to target a reduction in NatWest Markets RWAs to £32 billion by the end of FY'20, with income disposal losses of around £0.2 billion, subject to market conditions

We reconfirm our target of £20bn RWAs in the medium term and are now intending to achieve the majority of this reduction by the end of 2021, while managing the associated income disposal losses to around £0.6 billion over the two years

NatWest Markets Plc.[1] CET1 18.9%, LCR 258%

2020 RWAs, £bn

£2.8bn reduction in RWA achieved in 6 months



Actions taken

c.470
Headcount reduction communicated as at H1'20

£63m
Disposal losses[2] associated with refocusing

New NatWest Markets CEO and CFO appointed

Simplifying the product suite

Exiting the Custom Index Trading business

Reducing third party market making offering in flow ABS, RMBS & CLO

Partnering with BNP Paribas for Execution and Clearing of listed derivatives

Refocusing regional operating models

Reshaping US and APAC businesses and footprint

New management appointed and in place

Aligning to one bank model

Leveraging Group Technology infrastructure

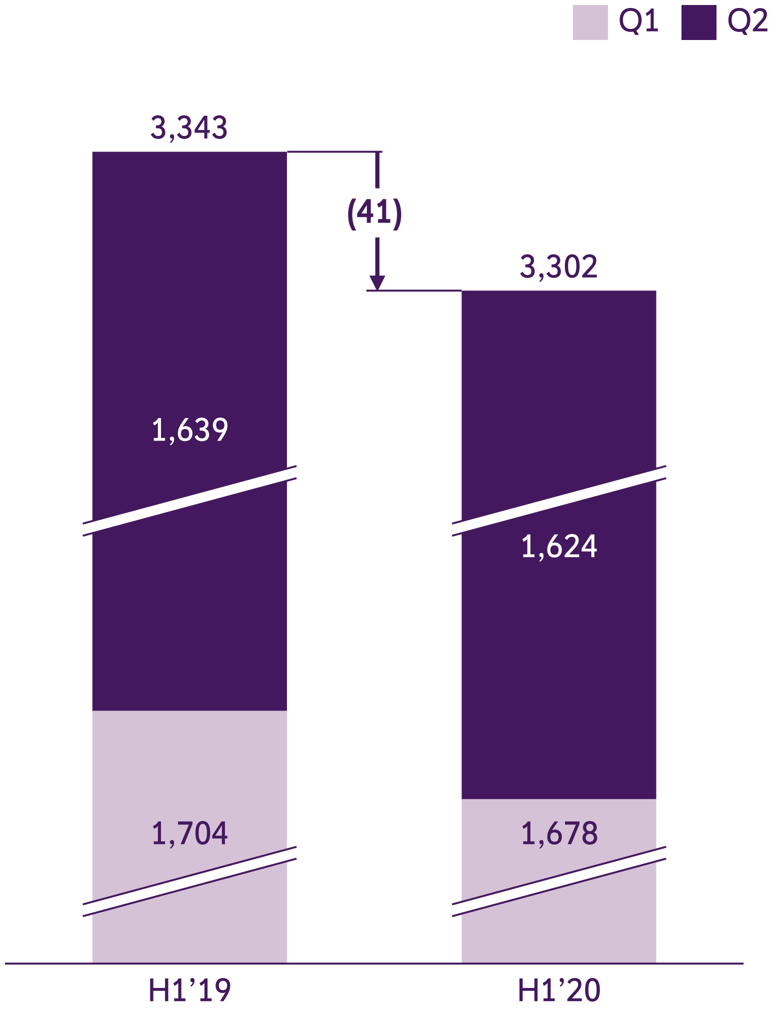
1. Figures for the NatWest Markets legal entity
2. Disposal losses will go through income line

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

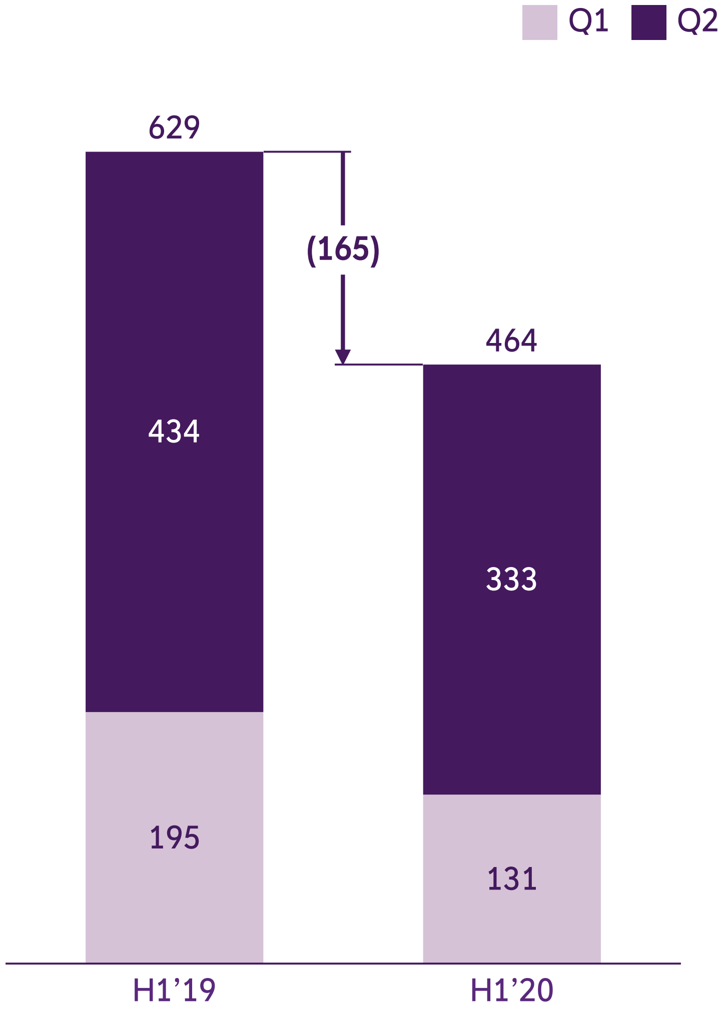
Full year target of £250m to be achieved through digitisation of our Personal Banking offering, delivery of our NatWest Markets Strategy and simplification of our Technology estate

We expect strategic costs to be within our £0.8-1.0 billion guidance after recognising property related charges in Q2 2020.

Other expenses ex Operating Lease depreciation[1], £m



Strategic costs, £m



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

Our focus on Enterprise, Learning & Climate will deliver future value to our stakeholders

Enterprise

1.2k

Accelerator cohort welcomed in April

Migrated our 12 accelerators to **digital channel delivery**

Extended our Dream Bigger **programme to be offered digitally** supporting the next generation of female entrepreneurs

2000+ young people supported through interventions to date[1]

Learning

c.2m

People reached through financial capability interactions in H1'20

(Target: 2.5m annually)

533k

Financial health checks completed

Climate

$600m

MREL green bond issued

c.£4bn

New sustainable financing & funding (2022 target: **£20bn**)

NatWest Markets ranked No.1 bookrunner on UK corporate green & sustainability bonds[2] – has now helped 33 clients issue green, social and sustainable bonds, totalling c.£29bn[3]

All statistics quoted are as at 30/06/20, unless otherwise stated

1. Since launch in September 2019
2. H1'20, Source: Dealogic – includes all green, social and sustainability and transitioned bonds for UK-domiciled companies
3. Since 2019

Investment case

Safe

Simple

Smart

Purpose-led, long term decision making

Strong customer franchises	**People and families** - supporting the financial health of our customers **Business** - providing lending support with disciplined approach to risk and value accretion
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 capital headroom of **~830bps above MDA[1]** ratio **Significant excess liquidity**
Focused on generating shareholder value	**Committed to resuming capital distributions** when appropriate

1. Maximum Distributable Amount (8.9%)

Detailed H1 & Q2 results

KATIE MURRAY, Chief Financial Officer

H1: Income statement

Income - excluding the Q2'19 strategic disposal of Alawwal - decreased by 5% in comparison to H1'19

Other expenses excluding Operating Lease Depreciation down £41m on track to reach our £250m cost reduction target

£m	H1'20	Vs H1'19[1]	Q2'20	Vs Q1'20
Net interest income	3,852	-4%	1,910	-2%
Non-interest income	1,986	-6%	766	-37%
Total income	**5,838**	**-5%**	**2,676**	**-15%**
Operating expenses	**(3,750)**	**-9%**	**(1,909)**	**4%**
• o/w Other expenses	(3,375)	-1%	(1,661)	-3%
• o/w Strategic costs	(464)	-26%	(333)	154%
• o/w Litigation and conduct costs	89	n.m.	85	n.m.
Operating profit before impairment losses	**2,088**	**3%**	**767**	**-42%**
Impairment losses	(2,858)	n.m	(2,056)	n.m
Operating loss	**(770)**	**n.m**	**(1,289)**	**n.m**
Tax credit	208	n.m	396	n.m
Attributable loss to ordinary shareholders	**(705)**	**n.m.**	**(993)**	**n.m.**
RoTE	(4.4%)	n.m	(12.4%)	n.m

1. Excluding the £990m impact of the strategic disposal (Alawwal) in Q2'19

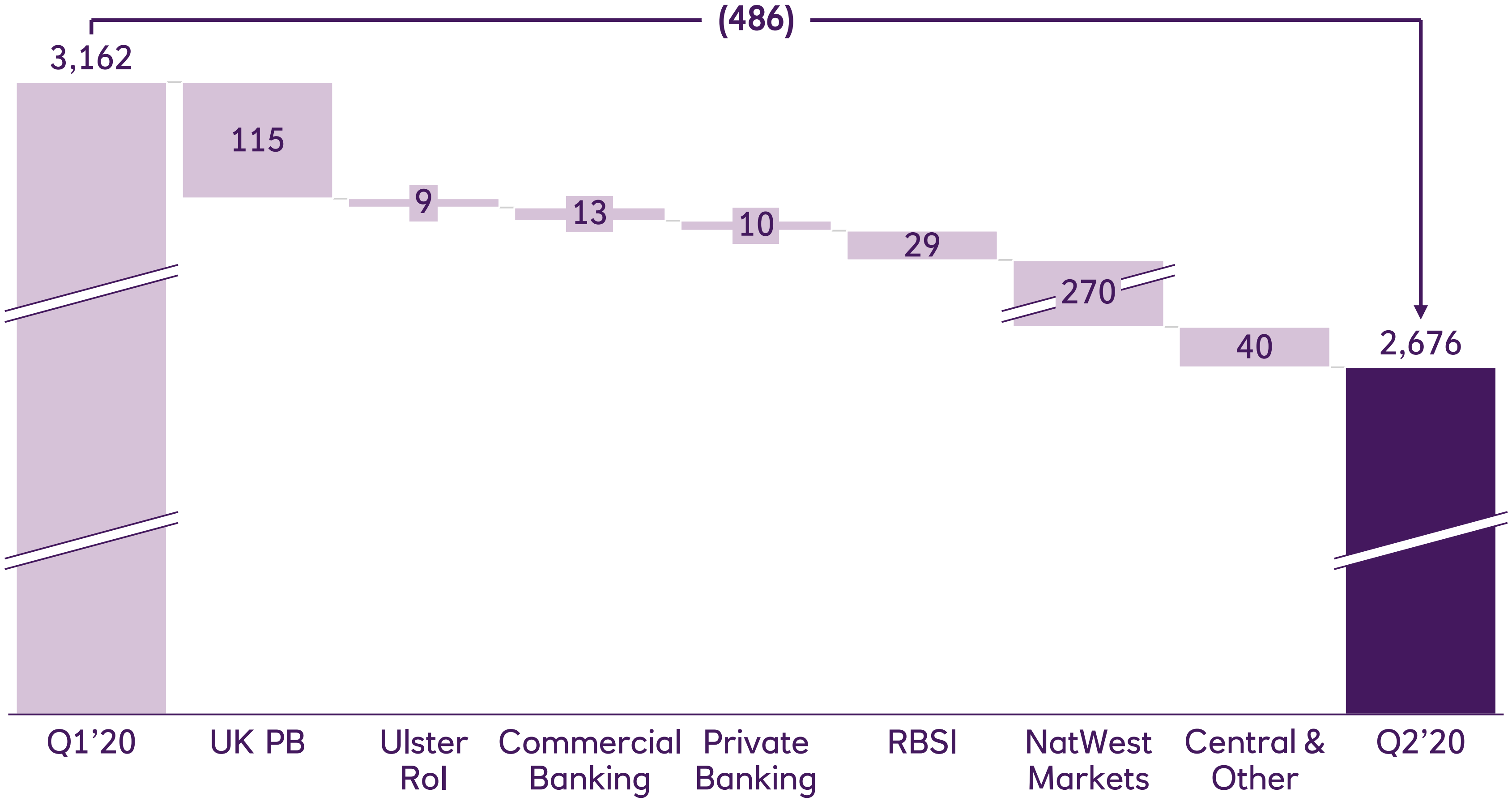
Income by line of business

UK PB: Total income decreased by £115 million due to lower overdraft fees, Covid-19 support measures and significantly reduced card spend

Commercial Banking: Total income decreased by £13 million 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 £50 million driven by Financing as credit markets stabilised

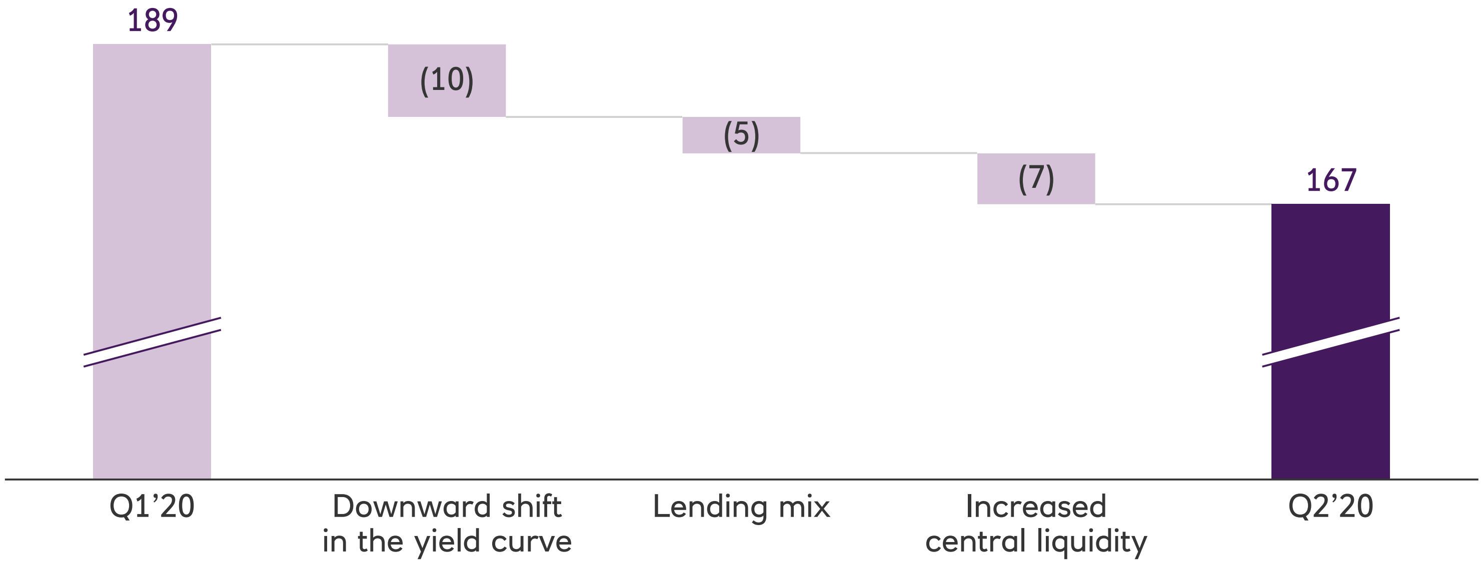
Total Income £m



Q2 revenues: NIM

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.

Bank NIM, bps



Average Interest Earning Assets[1], £bn

Key considerations
- Impact of excess liquidity
- Ongoing hedge pressure

1. Bank average interest earning assets (NatWest Group) excluding NWM

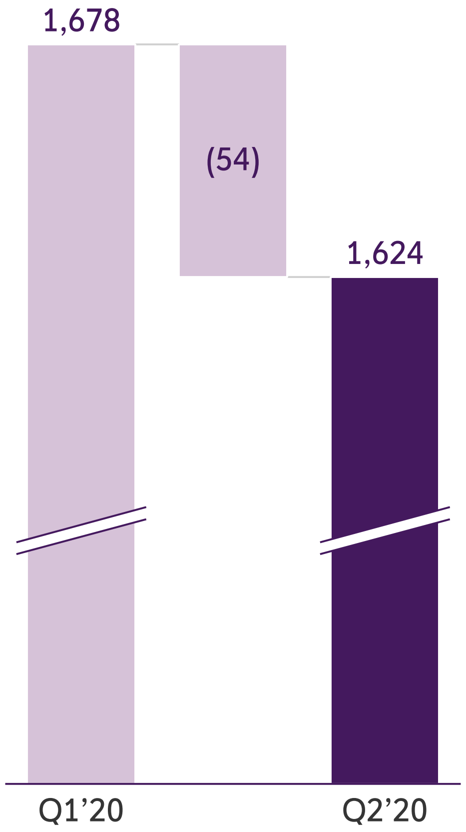
Q2: Costs

Other expenses, excluding Operating Lease Depreciation decreased £54m over the quarter in line with the cost reduction plan

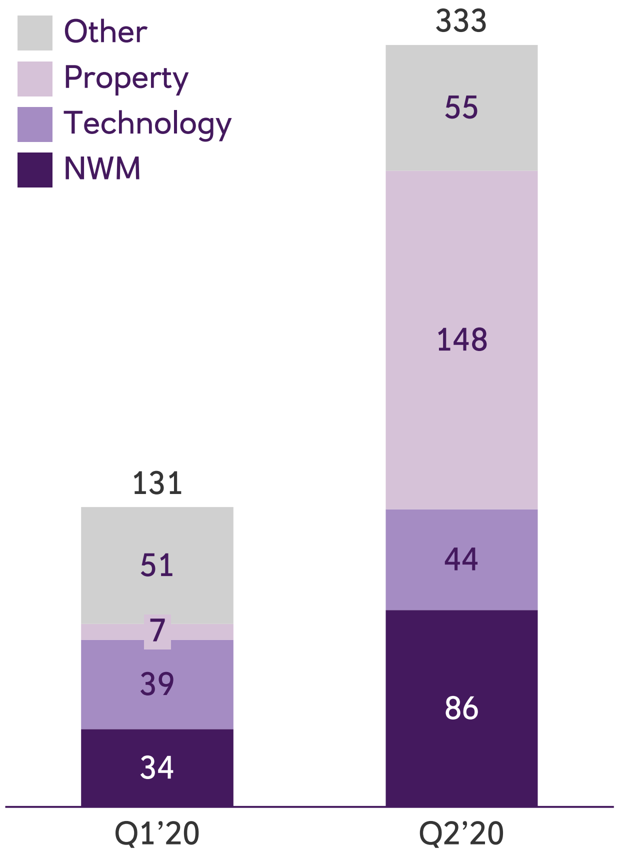
Increase in strategic costs driven by property exits and NWM restructuring

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

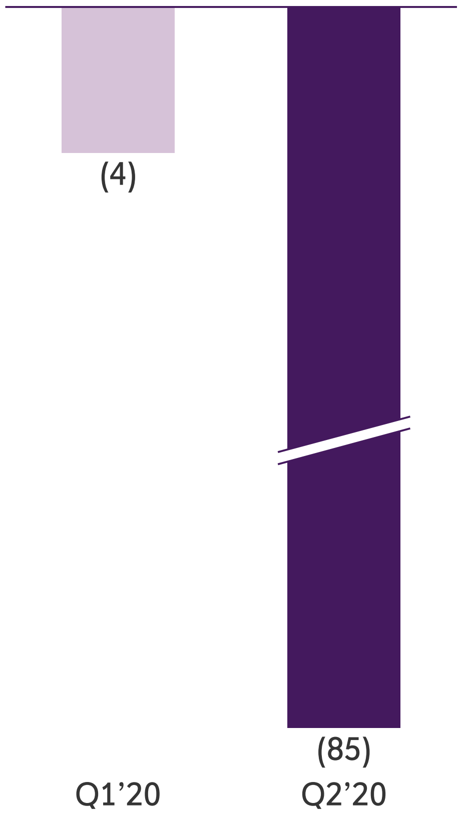
Other expenses ex Operating Lease Depreciation, £m



Strategic costs, £m



Litigation and conduct costs, £m



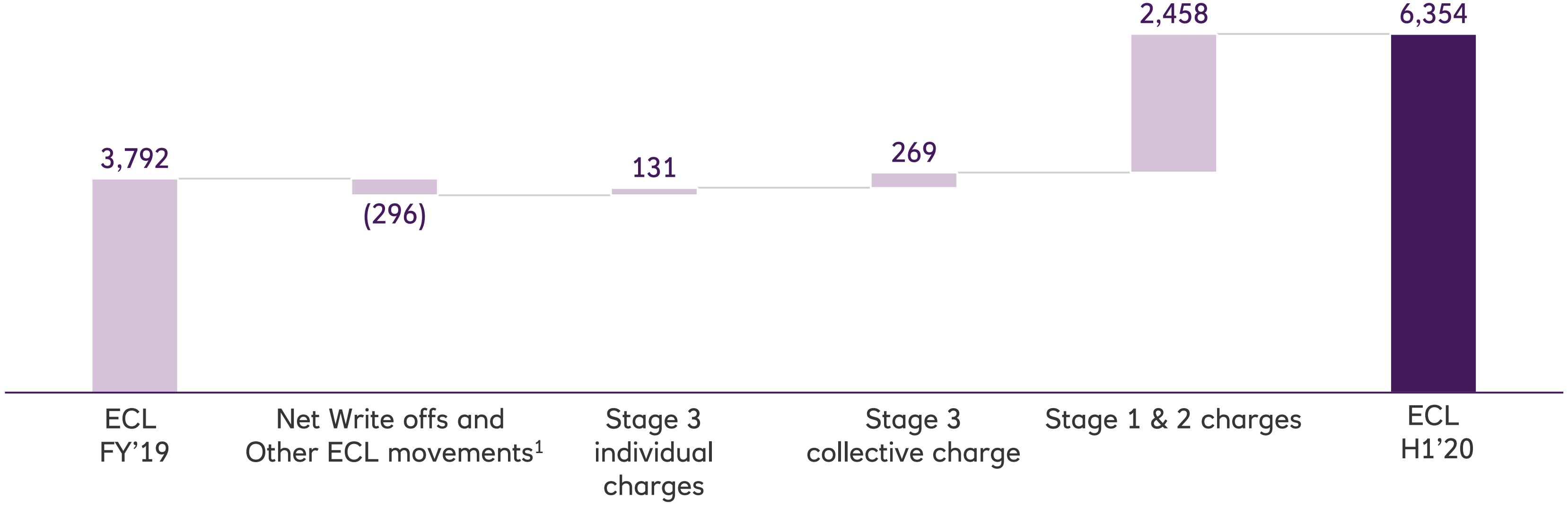
H1: Impairments

Stage 3 individual charges of £131m and Stage 1 & 2 charges of £2,458m

The existing overlay for economic uncertainty at Q1 2020 of £798 million has been absorbed through the H1’20 provisioning

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

Movement in ECL, £m



ECL provisions by business, £m

	UK PB	Ulster	Commercial Banking	Private Banking	RBSI	NatWest Markets	Central & other	Total
FY’19	1,404	775	1,387	43	31	146	6	3,792
H1’20	1,958	871	3,115	99	76	207	28	6,354
H1’20 ECL provision as % of loans	**1.18**	**3.53**	**2.72**	**0.61**	**0.52**	**1.62**	**n.m.**	**1.72**

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

Approach to ECL

A three step approach including four economic scenarios with two central scenarios and expert credit judgement adjustments on modelled outputs.

Stage migration – no change to Q1'20 approach to IFRS9 treatment of customers on payment holidays or in receipt of government scheme loans;

Conservative SICR PD threshold of 10 basis points used for Wholesale portfolio. The increase in stage 2 exposures reflects PD deterioration from the adoption of our four macroeconomic scenarios and expert judgement.

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.

1 Selected economic scenarios and weightings

Scenario	Probability Weighting	UK GDP – Annual Growth (%)			UK Unemployment rate (%)		
		2020	2021	5y Avg.	2020	2021	5y Avg.
Upside	20%	-8.9	10.1	1.4	7.4	4.8	4.9
Central 1	35%	-14.3	15.4	1.5	9.2	5.0	5.2
Central 2	35%	-14.1	11.2	0.6	9.8	7.8	7.2
Downside	10%	-16.9	5.3	-0.4	14.4	10.9	9.8

2 In-model adjustments

- Model adjustments for the effect of government intervention for both a 1) delay effect and 2) a default mitigation effect
- Apply risk profile weightings to individual sectors
- Model adjustment made to dampen extreme modelled outcomes resulting from wide range of economic variables

3 Credit quality assessment

- Input of expert credit judgement for high risk population stage migration and other uncaptured risks

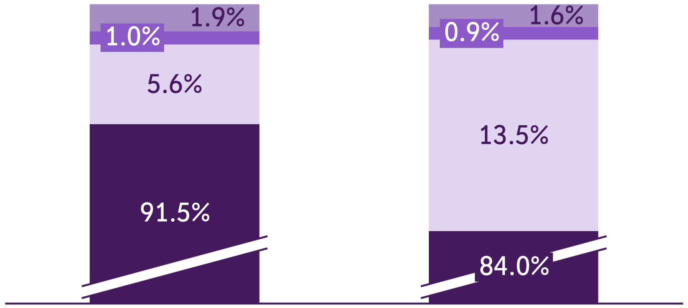
H1: stage migration and impact on ECL within Personal

We have continued to use a conservative approach to stage migration and ECL in Personal

Our trigger criteria include persistence where we keep balances in stage 3 typically for at least 12 months.

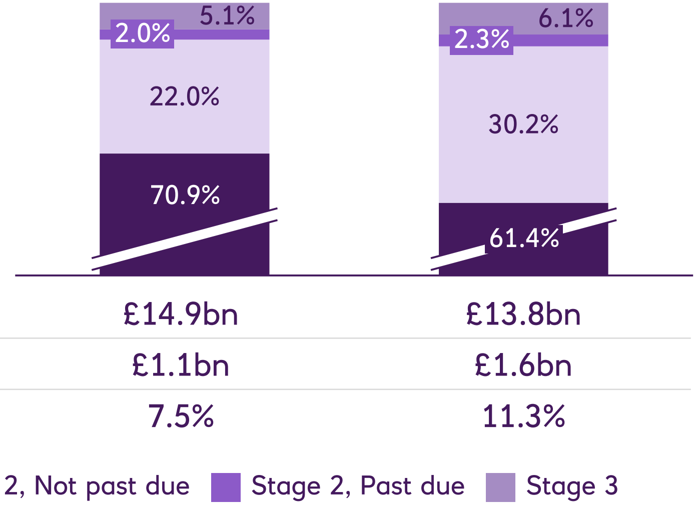
Gross Loans, %

Personal[1] Mortgages



	FY'19	H1'20
Total loans[2]:	£174.0bn	£182.1bn
ECL Provision:	£1.0bn	£1.0bn
ECL Coverage:	0.6%	0.6%

Personal[1] Credit Cards and personal advances



	FY'19	H1'20
Total loans[2]:	£14.9bn	£13.8bn
ECL Provision:	£1.1bn	£1.6bn
ECL Coverage:	7.5%	11.3%

ECL coverage, %

	FY'19	H1'20
Personal Mortgages		
Stage 3	25.1%	24.3%
Stage 2	1.0%	1.1%
Stage 1	0.0%	0.0%
Personal Credit Cards and personal advances		
Stage 3	82.7%	82.7%
Stage 2	10.8%	16.0%
Stage 1	1.0%	1.7%

1. Includes UK PB, Ulster ROI, Private Bank, RBSI
2. Loans – amortised cost and FVOCI

H1: stage migration and impact on ECL within Wholesale

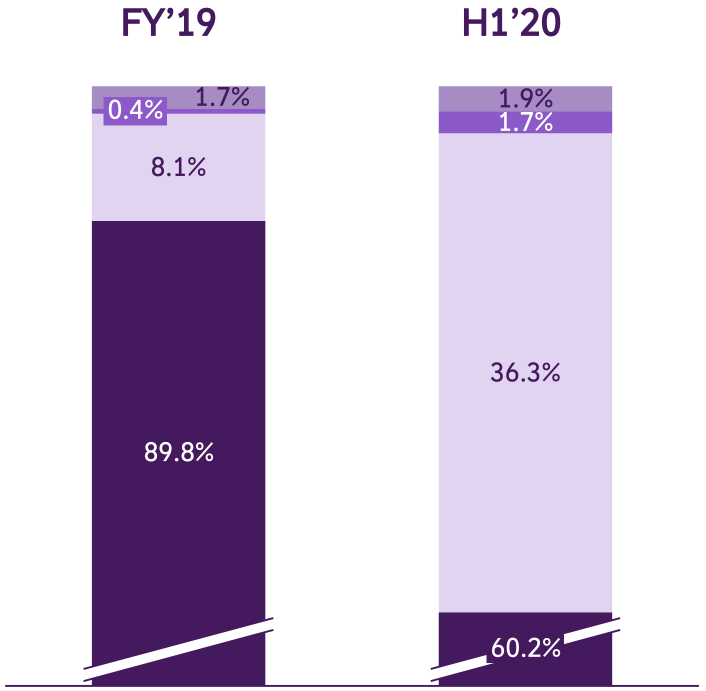
Sensitivity: if higher PD materiality threshold of 75bps used Wholesale stage 2 migration reduced by 24%

38% of total loans at Stage 2 driven by forward looking PDs

Across wholesale, 96% of our stage 2 balances are up to date, same as at December; our balances over 90 days past due remained flat at £1.2 billion

Gross Loans, %

Wholesale[1]



	FY'19	H1'20
Total loans[2]**:**	£151.0bn	£174.5bn
ECL Provision:	£1.7bn	£3.8bn
ECL Coverage:	1.1%	2.2%

Stage 1 | Stage 2, Not past due | Stage 2, Past due | Stage 3

ECL coverage, %

	FY'19	H1'20
Stage 3	49.5%	44.3%
Stage 2	1.9%	3.0%
Stage 1	0.1%	0.3%

1. Includes Property, Financial Institutions, Sovereign, Corporate
2. Loans – amortised cost and FVOCI

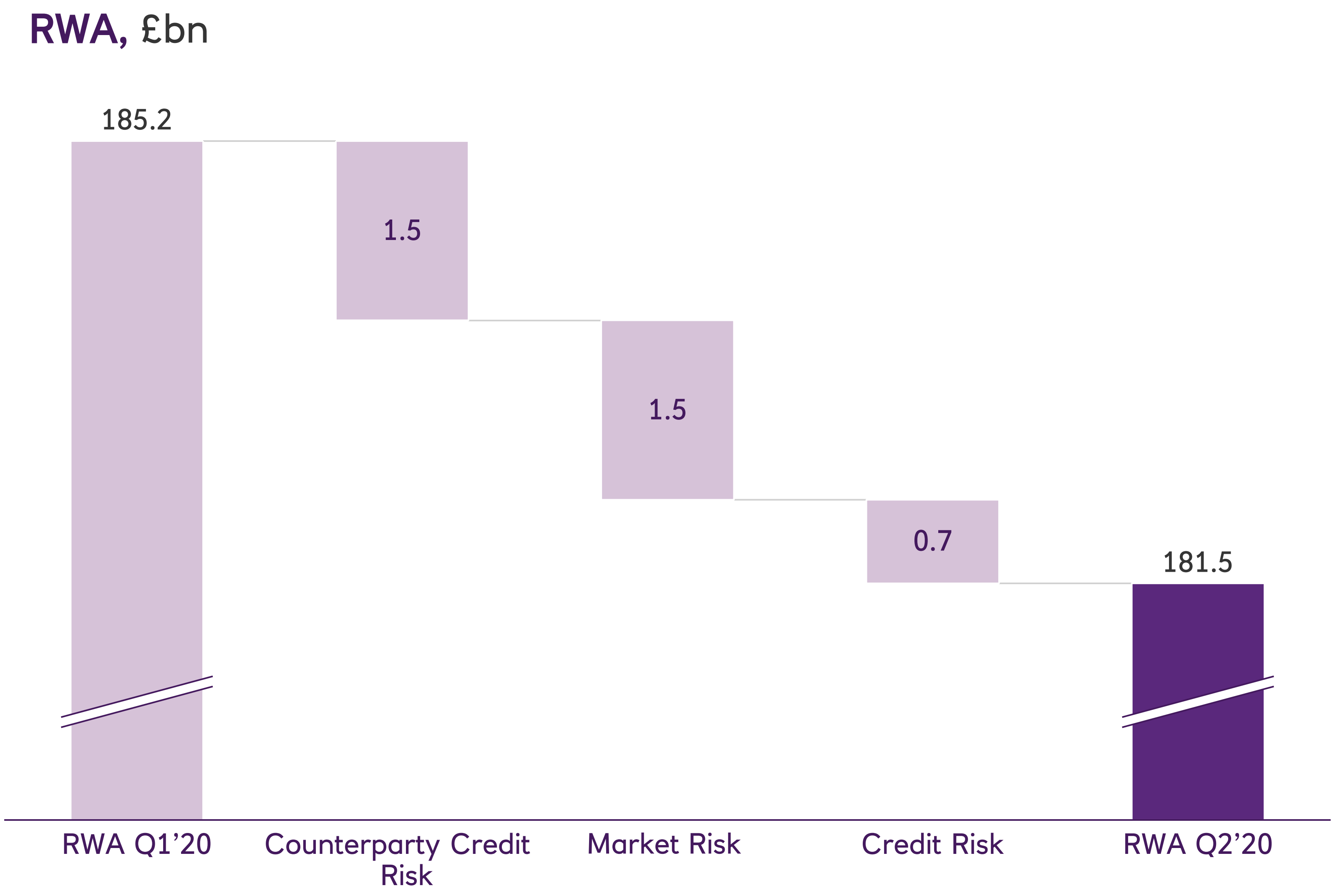
Q2: Risk weighted assets (RWA)

We expect to end 2020 with risk weighted assets in the range of £185 – £195bn

We have seen limited procyclicality to date

We would expect to see some procyclicality as impairments occur

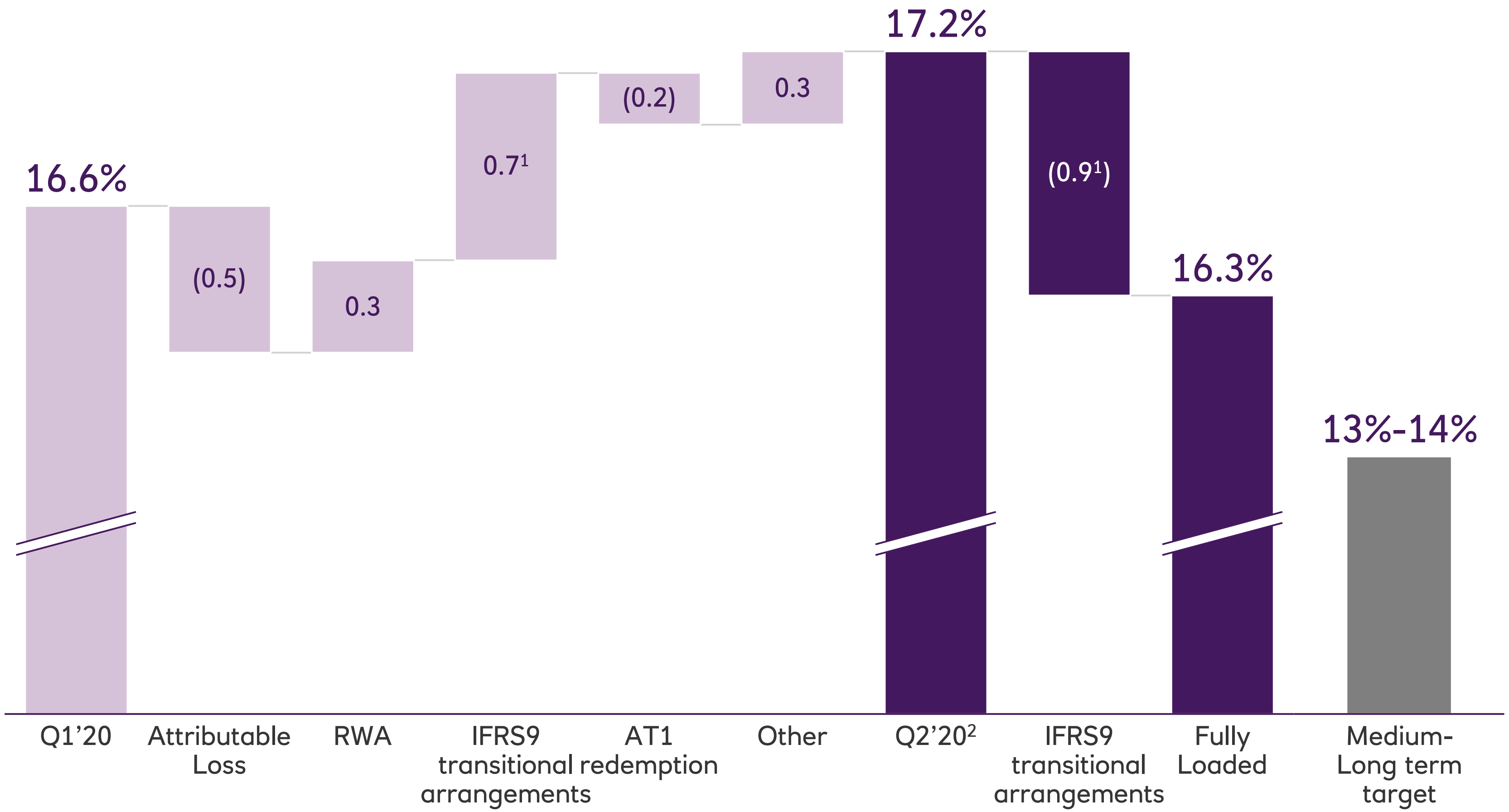
We expect further RWA increase in line with lending growth



Robust capital position

We have shaped a business that should operate at a CET1 ratio of between 13% to 14% over medium to long term

CET1 (%)



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

Strong capital & leverage positions

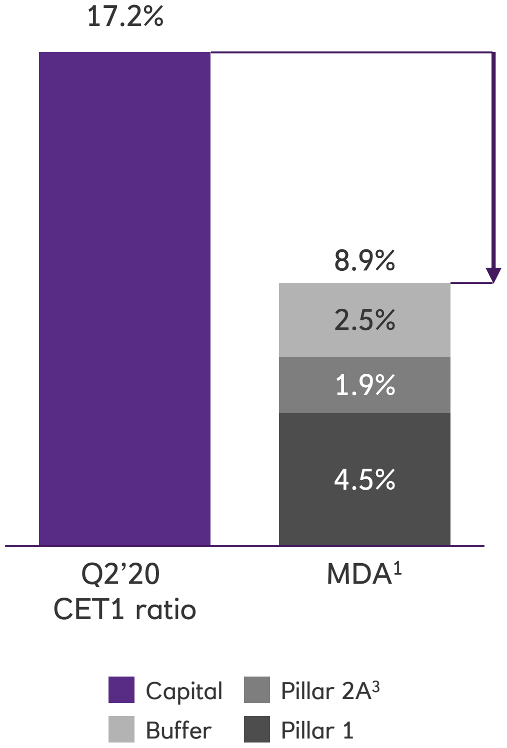
Our capital and leverage positions provide significant headroom above minimum regulatory requirements

13-14% CET1 ratio remains our sustainable target for the medium-longer term

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

830bps

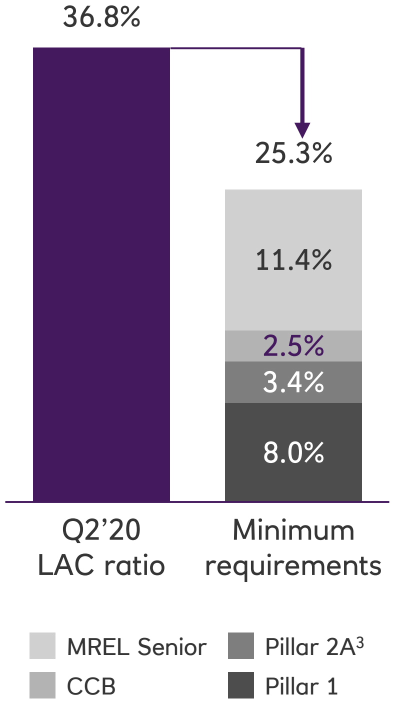
£15bn of headroom in Q2'20



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

1150bps

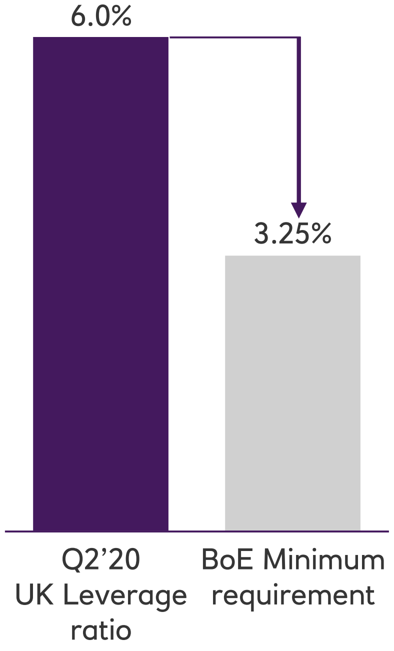
headroom above 1-Jun-2022 requirements



Headroom above minimum UK leverage requirements

275 bps

headroom above minimum requirements



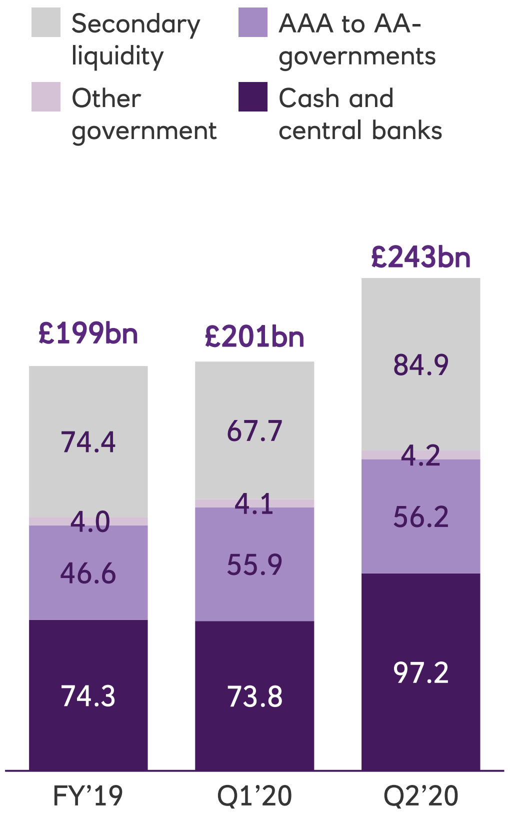
All statistics quoted are as at 30/06/2020, unless otherwise stated

(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.

Significant excess liquidity, diversified funding

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

Liquidity Portfolio (£bn)

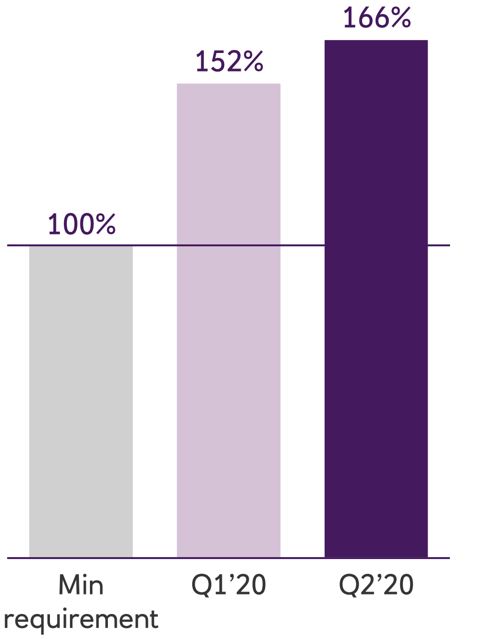


£158bn in primary liquidity with mix of cash and high quality sovereign bonds

Liquidity coverage ratio

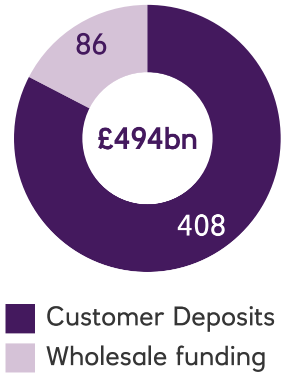
£68bn

surplus liquidity over minimum requirement

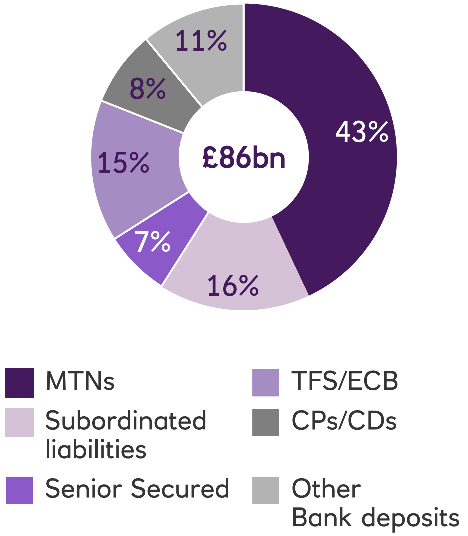


Liquidity coverage ratio remains well above min UK requirement

Total funding mix (£bn)[1,2]



Wholesale funding mix (£bn)[1]

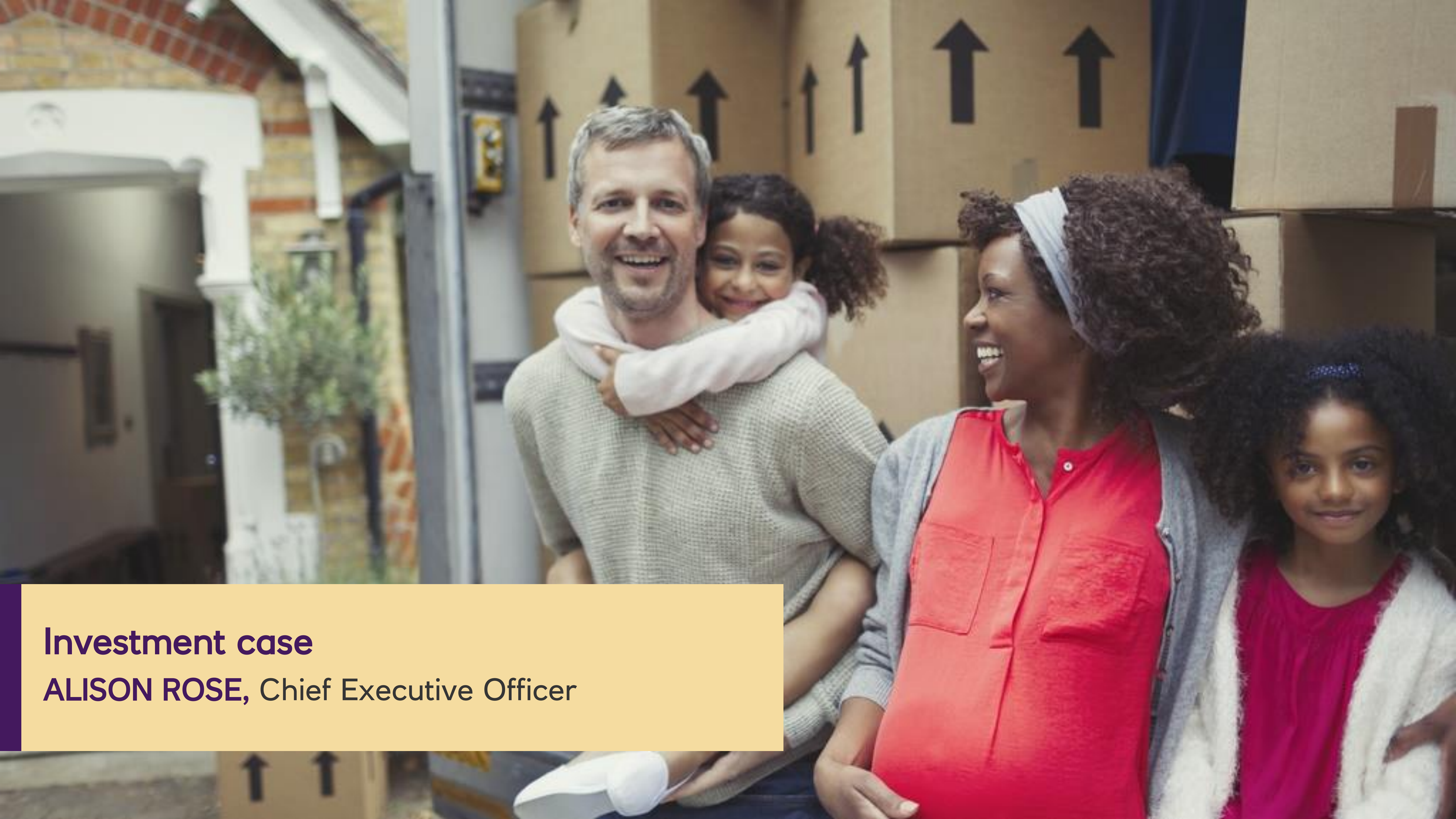


1 Funding excluding repos, derivative cash collateral. 2 Customer deposits includes amounts from NBFIs

Q2'20 update on targets and guidance

	Q1 guidance	Updated Q2 guidance[1]
Regulatory impact	Personal Banking: c.£200m negative impact on income	Guidance maintained
Costs	Cost take-out target: £250m We expect strategic costs to be at the lower end of our previous guidance of £0.8bn -£1bn for the year	We remain committed to achieving a £250 million cost reduction in 2020 We now expect strategic costs to be within our £0.8-1.0 billion guidance after recognising property related charges in Q2 2020
Impairments	Q1'20 90 bps of Gross L&A. Expect 2020 impairment losses to be meaningfully higher than previous guidance of below 30-40 basis points	We believe the full year 2020 impairment charge is likely to be in the range of £3.5-4.5 billion.
RWAs	Given the current levels of uncertainty we are very likely to exceed the £185-190 billion range we previously guided to	We expect to end 2020 with RWAs in the range of £185 – £195 billion
NWM RWAs	We aim to reduce RWAs to around £32bn by the end of 2020 at lower end of full year guidance. Expect to achieve this with lower income disposal losses than the £0.4 billion previously guided to, subject to market conditions	We continue to target a reduction in NatWest Markets RWAs to £32 billion by the end of 2020, with income disposal losses of around £0.2 billion, subject to market conditions. We are now intending 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.

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



Investment case

ALISON ROSE, Chief Executive Officer

We have shaped a business that should operate at a CET1 ratio of between 13% to 14% over time

We are focused on generating shareholder value and resuming capital distribution when appropriate

Purpose-led, long term decision making

Strong customer franchises

Balanced 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 **Robust capital levels**

320-420 bps or c.£5.8-7.6bn headroom to target CET1 ratio

830 bps or £15bn headroom to MDA

UK listed banks average MDA headroom of 365 bps[1]

2 **Clear intention to return to paying dividends as soon as possible, targeting a pay-out ratio of 40% over time**

£3.3bn dividends paid out since resuming in 2018

3 **Capital return to shareholders is clear preference** with all other options only considered if they provide compelling shareholder value and strategic rationale

1. UK listed banks average of Lloyds, Barclays Group, Santander UK and HSBC Group based on Q1'20 data

Q&A

Appendix

Stage migration

Q1 IFRS 9 accounting treatment approach to customer support schemes continued

Accounting approach

- Our Q1'20 approach to IFRS9 treatment of customer payment holidays, CBILs, bounce back loans support has been continued in Q2. New or extended (i.e. rolled over) payment holidays in and of itself, do not trigger a forced stage migration.

Drivers of stage migration

- The increase in Q2 Stage 2 exposures reflects PD deterioration from the adoption of our four macroeconomic scenarios and expert judgement.

PD Impact on Personal and Wholesale portfolios

Personal

- If Q2 PDs exceed PDs at loan recognition then stage 2 applies. Stage 2 can also be triggered by a number of high risk triggers such as use of pay day loans
- To migrate back to stage 1, PDs will be within threshold for a three month period before they revert
- Personal saw Stage 2 exposures increase by 105% to £30.8bn in H1'20 - £26.3bn secured and £4.5 billion unsecured

Wholesale

- Wholesale PDs derived from Basel MGS grades. Higher PDs factored in for CBIL government scheme lending so more adverse starting point for assessing PD deterioration and increasing migration to stage 2
- Wholesale Stage 2 exposures increased by £53.4bn to £66.2bn in H1'20

Cautionary and Forward-looking Statements

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

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', '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 the NatWest Group; future profitability and performance, including financial performance targets such as return on tangible equity; cost savings and targets; implementation of the NatWest Group's strategy; litigation and government and regulatory investigations, including the timing and financial and other impacts thereof; the implementation of the Alternative Remedies Package; the continuation of the NatWest Group's balance sheet reduction programme, including the reduction of risk-weighted assets (RWAs) and the timing thereof; capital and strategic plans and targets; capital, liquidity and leverage ratios and requirements, including CET1 Ratio, RWA equivalents (RWAe), Pillar 2 and other regulatory buffer requirements, minimum requirement for own funds and eligible liabilities, and other funding plans; funding and credit risk profile; capitalisation; portfolios; net interest margin; customer loan and income growth; the level and extent of future impairments and write-downs, including with respect to goodwill; restructuring and remediation costs and charges; the NatWest Group's exposure to political risk, economic risk, climate change risk, operational risk, conduct risk, cyber and IT risk and credit rating risk and to various types of market risks, 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, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to the NatWest Group's strategy or operations, which may result in the NatWest Group being unable to achieve the current targets, predictions, expectations 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 gains and losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. Forward-looking statements speak only as of the date we make them and we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the NatWest Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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 we describe in this document, including in the risk factors and other uncertainties set out in the NatWest Group plc's (previously The Royal Bank of Scotland Group plc) 2019 Annual Report on Form 20-F and other materials filed with, or furnished to, the US Securities and Exchange Commission, and other risk factors and uncertainties discussed in this document. These include the significant risks for the NatWest Group presented by: economic and political risk (including in respect of: the uncertainty surrounding the Covid-19 pandemic and the impact of the Covid-19 pandemic on NatWest Group; prevailing uncertainty regarding the terms of the UK's withdrawal from the European Union; increased political and economic risks and uncertainty in the UK and global markets; climate change and the transition to a low carbon economy; HM Treasury's ownership of NatWest Group plc and the possibility that it may exert a significant degree of influence over the NatWest Group; changes in interest rates and changes in foreign currency exchange rates); financial resilience risk (including in respect of: the NatWest Group's ability to meet targets; the level and extent of future impairments and write-downs, including with respect to goodwill; the NatWest Group's ability to resume discretionary capital distributions; the highly competitive markets in which the NatWest Group operates; deterioration in borrower and counterparty credit quality; the ability of the NatWest Group to meet prudential regulatory requirements for capital and MREL, or to manage its capital effectively; the ability of the NatWest Group to access adequate sources of liquidity and funding; changes in the credit ratings of NatWest Group plc, any of its subsidiaries or any of its respective debt securities; the NatWest Group's ability to meet requirements of regulatory stress tests; possible losses or the requirement to maintain higher levels of capital as a result of limitations or failure of various models; sensitivity of the NatWest Group's financial statements to underlying accounting policies, judgments, assumptions and estimates; changes in applicable accounting policies; the value or effectiveness of any credit protection purchased by the NatWest Group and the application of UK statutory stabilisation or resolution powers); strategic risk (including in respect of: the implementation and execution of the NatWest Group's Purpose-led Strategy, including as it relates to the re-alignment of the NWM franchise and the NatWest Group's climate ambition and the risk that the NatWest Group may not achieve its targets); operational and IT resilience risk (including in respect of: the NatWest Group being subject to cyberattacks; operational risks inherent in the NatWest Group's business; exposure to third party risks including as a result of outsourcing and its use of new technologies and innovation, as well as related regulatory and market changes; the NatWest Group's operations being highly dependent on its IT systems; the NatWest Group relying on attracting, retaining and developing senior management and skilled personnel and maintaining good employee relations; the NatWest Group's risk management framework; and reputational risk) and legal, regulatory and conduct risk (including in respect of: the NatWest Group's businesses being subject to substantial regulation and oversight; the NatWest Group complying with regulatory requirements; legal, regulatory and governmental actions and investigations (including the final number of PPI claim and their amounts); the replacement of LIBOR, EURIBOR and other IBOR rates to alternative risk free rates; heightened regulatory and governmental scrutiny (including by competition authorities); implementation of the Alternative Remedies Package and the costs related thereto; and changes in tax legislation).

The forward-looking statements contained in this document speak only as at the date hereof, and the NatWest Group does not assume or undertake any obligation or responsibility to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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