FitchRatings

Banks
Universal Commercial Banks
United Kingdom

NatWest Group plc

Key Rating Drivers

Strong, Diversified Business Profile: NatWest Group plc's (NWG) ratings reflect the group's strong franchise in UK retail and commercial banking, diversified business model and sound financial profiles. The Viability Rating (VR) also considers NWG's role as a holding company and its low double leverage.

Group VR Assigned: Fitch Ratings assigns a group VR to The Royal Bank of Scotland Public Limited Company (RBS) and National Westminster Bank Plc (NatWest Bank; both 'A+'/Stable) because these UK operating banks are core operating companies for NWG, and are highly integrated in terms of capital, funding and liquidity, management and strategy, and are large compared with group assets. Capital fungibility among these banks is underpinned by a capital-support deed.

Diversification Underpins Risk Profile: NWG's share of commercial lending (35%; including reverse repos at end-3Q23) is larger than peers, and we expect this portfolio to come under pressure with high interest rates and weak economic growth. Nevertheless, the book is well diversified and NWG has reduced exposures to riskier segments over the past decade. Low-risk mortgage loans (54% of loans; average loan-to-value (LTV) 55% at end-2Q23) mitigate credit risk, and higher-risk credit card and unsecured personal lending made up a low 4% of loans.

Asset Quality to Deteriorate: We expect NWG's impaired loans ratio (end-3Q23: 1.5%) to deteriorate to just over 2% by end-2025 primarily due to higher interest rates but also due to weak economic growth. Loan quality has been supported by loan restructuring and disposals of impaired loans in recent years. The high share of secured lending and conservative underwriting should keep credit losses manageable.

Profitability to Soften: NWG's operating profit/risk-weighted assets (RWAs; 3.6% 9M23) has materially benefited from higher interest rates and a widening net interest margin (NIM). However, we believe profitability has peaked and will moderate in 2024-2025 due to tight asset margins in a subdued housing market and the higher cost of deposits. Higher interest rates, structural hedge income, and manageable loan impairment charges should support strong profitability.

Strong Capitalisation: The bank's common equity Tier 1 (CET1) ratio of 13.5% at end-September 2023 is strong and well above its regulatory minimum requirement plus buffers of 10.4% (excluding the 1.2% O-SII add-on). Fitch expects the ratio to be maintained within management's target of 13%-14%, with strong internal capital generation largely offset by capital returns to shareholders.

Strong Funding and Liquidity: Funding and liquidity are managed prudently, with around 75% of funding sourced from generally stable customer deposits. This results in a loans/deposits ratio of 84% at end-3Q23, which is lower than peers. We expect pressure on deposit pricing to continue due to strong competition, although NWG's liquidity should remain strong as we expect only moderate loan growth in 2024. Our funding assessment also reflects NWG's proven access to wholesale funding markets and to Bank of England liquidity facilities, if needed.

Operating Companies Uplifts: RBS and NatWest Bank's Long-Term Issuer Default Ratings (IDRs) and long-term senior debt ratings are one notch above their VRs, given our view that their external senior creditors are protected by resolution funds downstreamed from NWG.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Government Support Rating	ns

Sovereign Risk (United Kingdom)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Applicable Criteria

Bank Rating Criteria (September 2023)

Non-Bank Financial Institutions Rating Criteria (May 2023)

Related Research

Fitch Affirms NatWest Group at 'A'; Outlook Stable (December 2023)

Major UK Banks Resilient to Economic Backdrop; Underpinned by Strong Buffers (December 2023)

Western European Banks Outlook 2024 (December 2023)

Fitch Affirms United Kingdom at 'AA-'; Outlook Negative (December 2023)

Global Economic Outlook (December 2023)

Major UK Banks' Profitability Expected to Weaken as NIMs Peak, LICs Rise (November 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

NWG retains rating headroom, even in the case of a one-notch downgrade of the operating environment score to 'a+' from 'aa-', given the group's strong business profile, performance metrics, and capital and liquidity buffers. However, the VR could come under pressure if the operating environment deteriorated more severely than we expect, resulting in structurally weaker financial metrics.

In particular, the ratings would come under pressure if we expected the four-year average impaired loan ratio to exceed 3%, operating profit/RWAs to deteriorate below 2% for an extended period and the CET1 ratio to decline below 13% without a credible plan to swiftly restore it.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is unlikely in the near term given the negative outlooks on the operating environment scores for UK banks and the sovereign rating. Over the medium term, and with a stabilisation in the operating environment, positive rating action on the VR would require a material strengthening of the group's business profile, capital ratios and operating profit/RWAs sustainably exceeding 3%, while maintaining healthy asset quality.

Other Debt and Issuer Ratings

Issuer and Subsidiary Ratings

	HoldCo	Ring-Fenced Entities under NatWest Holdings				Non-Ring-Fenced Entities			
Rating level	NWG	NatWest Bank	RBS	Ulster Bank Ireland Designated Activity Company	NatWest Bank Europe GmbH	NatWest Markets Plc	NatWest Markets N.V.	Royal Bank of Scotland International Limited	NatWest Markets Securities Inc.
Long-Term IDR	A	A+	A+	BBB+	A+	A+	A+	A	A
Short-Term IDR	F1	F1	F1	F1	F1	F1	F1	F1	F1
VR	a	a	a	-	-	-	-	-	-
SSR	-	-	-	bbb+	a	a	a	a	a
GSR	ns	ns	ns	-	-	-	-	-	-
Derivative Counterparty Rating (DCR)	-	-	-	-	-	A+(dcr)	A+(dcr)	-	A(dcr)
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable

Source: Fitch Ratings

We have not assigned VRs to NatWest Markets Plc (NWM), NatWest Markets N.V. (NWM N.V.), Royal Bank of Scotland International Limited (RBSIL), NatWest Markets Securities Inc. (NWMSI), NatWest Bank Europe GmbH (NWBE) and Ulster Bank Ireland Designated Activity Company (UBI DAC) as they are highly integrated subsidiaries that do not have meaningful standalone franchises.

The Shareholder Support Ratings (SSRs) of 'a' for NWM, NWM N.V., NWMSI, NWBE and RBSIL are aligned with NWG's Long-Term IDR. They reflect Fitch's view that these entities would benefit from a very high probability of support from NWG, if needed, given their core roles in the group, and that support would be manageable relative to NWG's financial resources. We believe a default by one of these entities would cause serious reputational damage to the group.

NWM, NWM N.V. and NWBE's Long-Term IDRs are one notch above their SSRs, as we believe the group has a credible role in protecting these entities' external senior creditors in a resolution and that these creditors will benefit from additional protection from the resolution funds raised by NWG.

The Long-Term IDRs of RBSIL and NWMSI are equalised with their SSRs because we have insufficient evidence that the resolution funds raised by NWG will benefit these subsidiaries' external senior creditors. In the case of RBSIL, this reflects our view that progress taken by the identified regulatory body in Jersey – its home jurisdiction – towards the implementation of working resolution legislation is not yet sufficiently advanced. For NWMSI, a broker-dealer, this reflects our view of the entity's uncertain role in the group's resolution planning.

UBI DAC's SSR of 'bbb+', two notches below NWG's Long-Term IDR, reflects our expectation of a lower probability of support from NWG as UBI DAC operates in a jurisdiction that is no longer strategic for the group as part of its managed withdrawal from the Republic of Ireland and has limited synergies with the parent. As of end-3Q23, the group had sold the majority of UBI DAC's loan book. However, we believe NWG would have moderate propensity to support UBI DAC, if needed, because of reputational risk, with a potentially significant negative impact on other parts of NWG if it did not do so.

UBI DAC's Long-Term IDR is equalised with the company's SSR. Its Short-Term IDR of 'F1' is the higher of two ratings mapping to a 'BBB+' Long-Term IDR. This reflects our view that NWG's propensity to support UBI DAC is more certain in the near term, as well as the integration of UBI DAC's risk management within that of NWG, provision of liquidity by NWG in case of need, and the absence of impediments to the prompt flow of funds from NWG to UBI DAC.

Debt Classes

Rating level	NWG	NatWest Bank	NWM	NWM N.V.	RBSIL
Senior unsecured	A/F1	A+/F1	A+/F1	A+/F1	F1
Tier 2 subordinated debt	BBB+	-	BBB+	BBB+	-
Additional Tier 1 notes	BBB-	-	-	-	-
Legacy upper Tier 2 debt	-	BBB	BBB	-	-
Legacy Tier 1 notes	BBB-	-	-	-	-

Source: Fitch Ratings

Senior unsecured debt ratings are equalised with the issuers' IDRs.

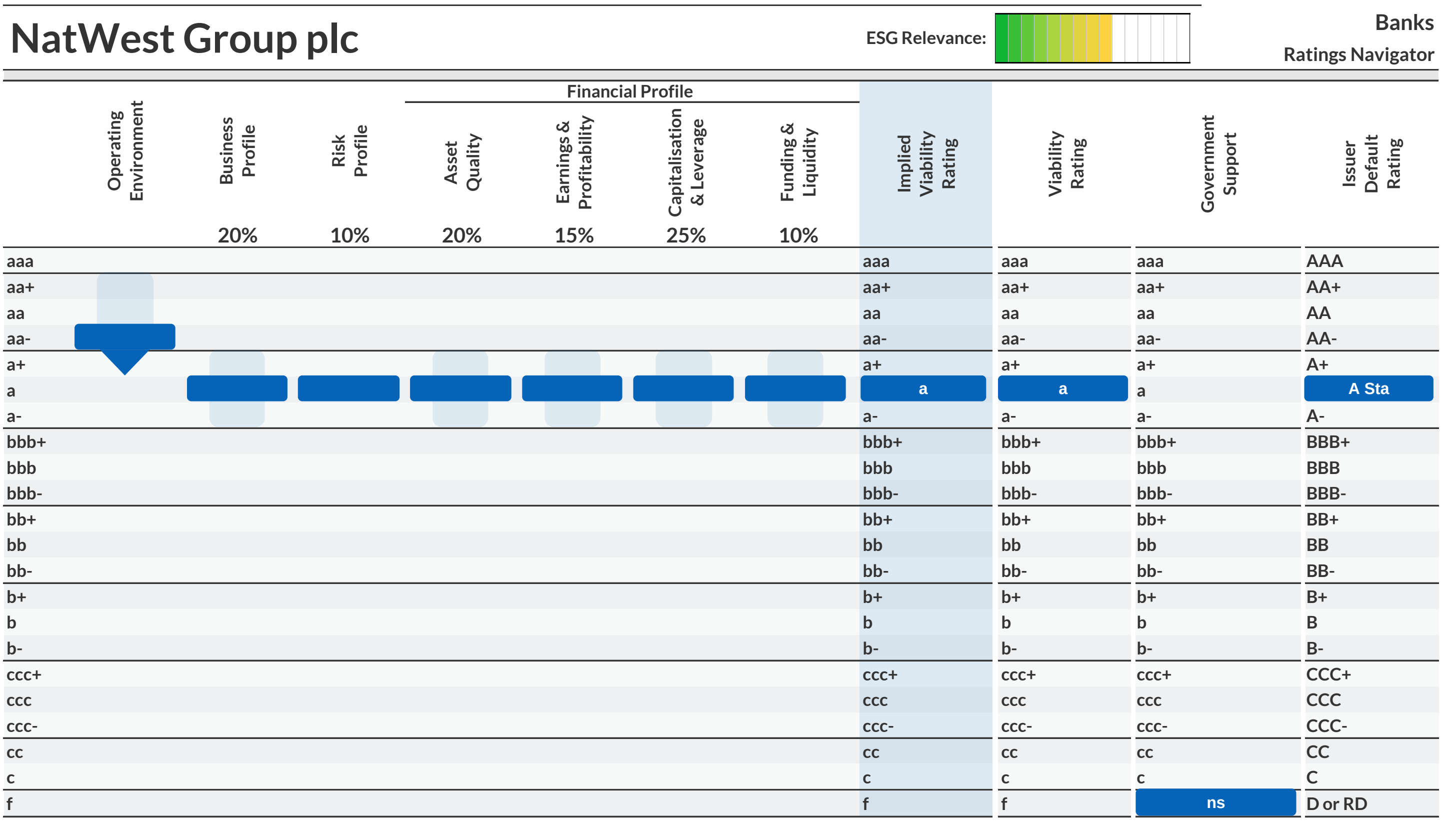
The ratings of all subordinated debt and hybrid securities issued by NWG and its subsidiaries are notched down from NWG's VR, reflecting Fitch's assessment of their incremental non-performance risk relative to the group's VR and assumptions around loss severity. Subordinated debt with no coupon flexibility is notched down twice from the VR for incremental loss severity. Legacy upper Tier 2 subordinated debt is notched down three times (twice for loss severity and once for incremental non-performance risk, due to cumulative coupon deferral risk).

Additional Tier 1 and legacy Tier 1 and preferred stock instruments are notched down four times (twice each for loss severity and for incremental non-performance risk).

NWM, NWM N.V. and NWMSI's DCRs are equalised with their Long-Term IDRs because under UK and Dutch legislation, derivative counterparties do not have preferential status over other senior obligations in a resolution.

NWG's Short-Term IDR of 'F1' is the lower of the two options mapping to its Long-Term IDR because the group's funding and liquidity profile of 'a' does not warrant a higher short-term rating.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘aa-’ is at the lower end of the implied range because it is constrained by the UK sovereign rating of ‘AA-’/Negative (negative).

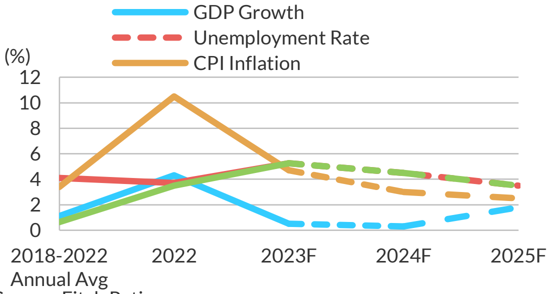
Company Summary and Key Qualitative Factors

Operating Environment

Fitch projects UK GDP growth of 0.5% in 2023, and that a mild recession in 4Q23-2Q24 will pull down annual growth to 0.3% in 2024 before it recovers to 1.8% in 2025. Government policies continue to focus on addressing labour market and investment constraints on potential growth, but there is a high degree of uncertainty regarding the actual potential increase in labour supply and long-term growth prospects. Inflation has eased reflecting lower energy and food prices, but core inflation remains high, signalling strong domestic demand pressures and a tight labour market. The Bank of England has lifted its main policy rate to 5.25% and we expect it to maintain rates at this level at least until 3Q24 given the still high growth in wages due to strong underlying inflationary pressures.

We believe the performance of the UK banks peaked in 2023 as higher interest rates will result in moderately higher loan impairment charges (LICs) and funding costs in 2024. NIMs will contract in 2024 given the banks' increasing share of more expensive, term deposits, refinancing of wholesale funding at higher cost and competitive pressure on new mortgage lending. Nevertheless, interest rates are likely to stay higher for longer than initially expected, which should support revenue, including from structural hedges as they are reinvested at higher interest rates when they mature. We expect cost growth to be moderate and manageable given easing inflation.

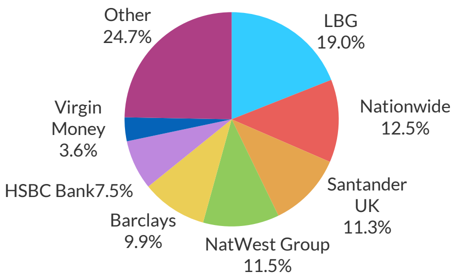
Tough Economic Backdrop



Source: Fitch Ratings

Mortgage Lending Market Share

% mortgages outstanding, end-2022



Note: Market shares relate to banks' UK mortgage lending Source: Fitch Ratings, UK Finance

Business Profile

Strong Domestic Franchise

NWG consists of a ring-fenced sub-group complemented by several businesses outside the regulatory ring-fence. The ring-fenced group sits beneath an intermediate holding company, NatWest Holdings Limited, and includes NatWest Bank, RBS, NWBE and UBI DAC.

The ring-fenced group, through its operating banks, has high, often leading, market shares across some segments of UK commercial and SME banking (around 20%), retail banking (around a 12% share of UK mortgages), current accounts (around 15%), and private banking, where it focuses on high net worth and ultra-high net worth individuals. It is the largest bank in Northern Ireland, through the Ulster brand (operating under NatWest Bank), which remains strategically important.

UBI DAC was the third-largest bank in the Republic of Ireland, but NatWest began a phased withdrawal from the market in 2021 after a strategic review. As of end-3Q23, all of the branches have been closed and most of the assets, liabilities, customers and staff have been transferred or exited. In 2Q23, NWG received a dividend of EUR800 million from Ulster Bank Ireland, the first since 2019, as it repatriates capital as part its withdrawal.

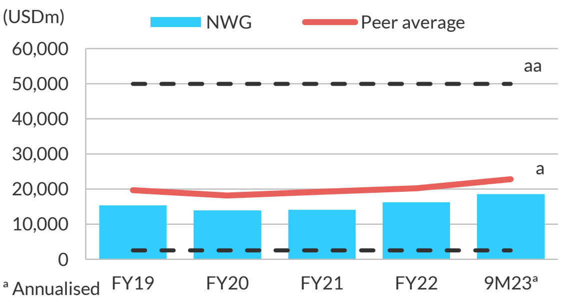
NWBE was established in 2022 in Germany, is regulated by BaFin, and services European Economic Area and Swiss subsidiaries of UK corporate customers, as well as funds sponsor customers following Brexit.

Non-Ring-Fenced Operations

NWM, NWM N.V., NWMSI and RBSIL are mainly wholesale businesses and remain outside the regulatory ring fence. The group offers capital markets services (including risk-management products) to corporate and institutional customers through NWM and NWM N.V. RBSIL serves international personal, commercial and financial institution customers through branches in Jersey, Guernsey, Isle of Man and Gibraltar, where it is one of the largest local banks, as well as serving financial institution customers through wholesale branches in Luxembourg and London. NWMSI is a US-based broker-dealer.

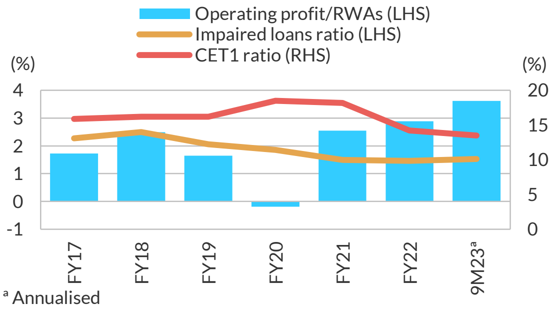
Gross loans accounted for around half of NWG's balance sheet at end-3Q23 given the size of NWM, with its trading asset and derivative balances. However, NWM's balance sheet has decreased materially in recent years and now focuses on providing the group's commercial customers with a streamlined set of trading and risk-management products.

Total Operating Income



ª Annualised
Source: Fitch Ratings, Fitch Solutions, banks

Performance Through the Cycle



ª Annualised
Source: Fitch Ratings, Fitch Solutions, NWG

Risk Profile

NWG has made significant progress in de-risking over the past decade, as well as reducing complexity across the group. Risk limits are conservative and in line with those of UK banking peers. NWG maintains stringent underwriting standards and market risk remains dominated by interest rate risk in the banking book with modest exposure to trading market risk and structural FX risk – mainly through NWM, which we consider to be generally well managed.

Growth in its strategic businesses has been modest, with a particular focus on mortgages given the supportive market dynamics in recent years. The mortgage book's average LTV of 55% at end-1H23 provides it with a strong buffer against potential home price falls, and 91% of loans had LTVs of 80% or less. The group's exposure to unsecured retail lending was low at 4% of total loans at end-1H23.

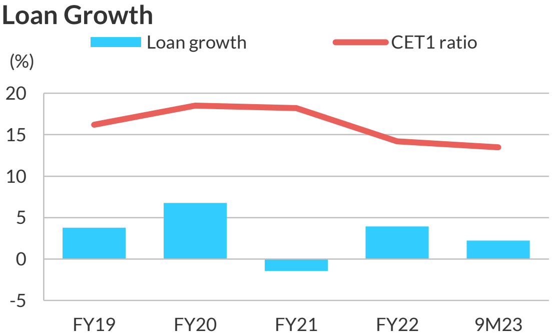
Commercial real estate (CRE) exposures have been actively reduced in recent years and made up around 5% of loans, with a modest average LTV of 48% at end-1H23. The CRE portfolio includes investment (89% of CRE loans) and development (11%) lending across residential, office, retail, industrial and other sectors, and is mostly in the UK. Property development lending focuses on residential property.

Interest rate risk in the banking book arises primarily from fixed-rate mortgages. At end-1H23, a 25bp parallel upward or downward shift in the yield curve would have increased net interest income by GBP135 million or minus GBP198 million, respectively, over 12 months.

Other Risk – Non-Financial Risk

The majority of the group's legacy conduct issues have been resolved, although, as for peers, we expect conduct and redress to continue to feature on its income statement, albeit to a lesser extent than in the past.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, NWG

Financial Profile

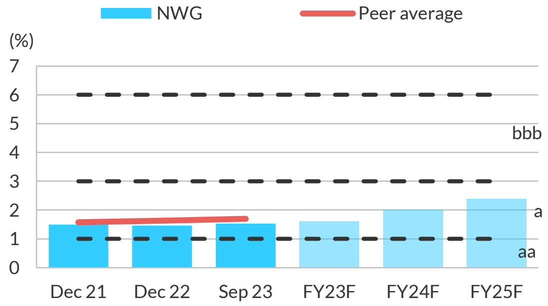
Asset Quality

Fitch expects a moderate increase in the impaired loans ratio over the next two years due to affordability pressures on consumers, higher unemployment and the recessionary environment. However, we expect the impaired loans ratio to remain below 3% of gross loans into 2025 given the low starting point (end-3Q23: 1.5%), conservative underwriting and the group's high exposure to lower-risk prime mortgage lending, which should underpin asset quality.

Stage 2 balances have fallen in 2023 mainly due to IFRS 9 model improvements in macroeconomic scenarios. At end-3Q23, Stage 2 loans accounted for 11% of gross loans, down from 13% at end-2022. Around half of Stage 2 loans were in commercial banking loans and the rest in retail banking (mainly mortgages).

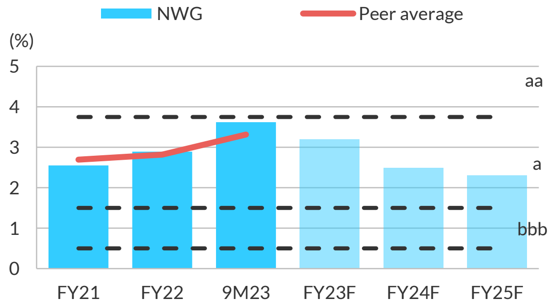
NWG booked GBP229 million of LICs in 3Q23 (9M23: GBP452 million), mainly due to increased provisions across retail lending. At end-3Q23, loan loss allowances were 1% of gross loans (end-2022: 1%), as the loan book was resilient. The group continues to hold post-model adjustments for economic uncertainty of GBP453 million at end-3Q23 (13bp of gross loans) as a buffer against potential future impairments. The bank's management has maintained guidance for through-the-cycle LICs of 20bp-30bp of gross loans, with 2023 LICs still expected to be below 20bp (9M23: 17bp, annualised), which we find reasonable.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

We expect profitability to decline from strong levels, but to remain above pre-pandemic levels as the benefits of higher interest rates, including rising yields on the structural hedge, offset increasing LICs, higher funding costs and weaker front book pricing in mortgages.

Non-interest income accounts for just under a third of operating income. Within this, fees and commissions are generated mainly from lending, payments, and cards, as well as underwriting and investment management. Trading income, predominantly from NWM, makes up around 10% of operating income.

Reducing the group's cost base continues to be a key focus of management. The group's annualised cost/income fell to a reasonably strong 52% in 9M23 helped by higher operating income (FY19: 70%) and the bank is on track to meet its target 52% cost/income ratio in 2023. NWG targets a return on tangible equity (RoTE) of 14%-16% in 2023 and over the medium term, and is on track with a 17.1% RoTE in 9M23.

Capital and Leverage

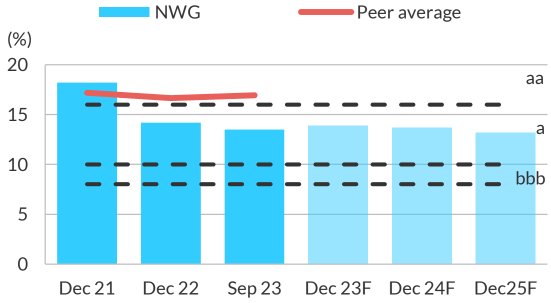
NWG's CET1 ratio was 13.5% at end-3Q23 (end-2022: 14.2%). The bank targets a CET1 ratio between 13% and 14% over the medium term, with profits generated offset by shareholder distributions, via both dividends and share buybacks, and loan growth.

The CET1 ratio provides 310bp headroom above its maximum distributable amount threshold of 10.4%, while headroom above its minimum UK leverage ratio requirement (3.85%) was 125bp at end-3Q23 (5.1%), providing a moderate buffer to absorb any unexpected losses. NWG's total capital (18.7%) and Basel leverage (4.2%) ratios (including central bank claims) were sound at end-3Q23.

NWG's minimum requirement for own funds and eligible liabilities (MREL), together with buffers, is set at 27.4% of its RWAs. The group's MREL ratio (end-3Q23: 31.2%) has a large 380bp buffer above minimum requirements.

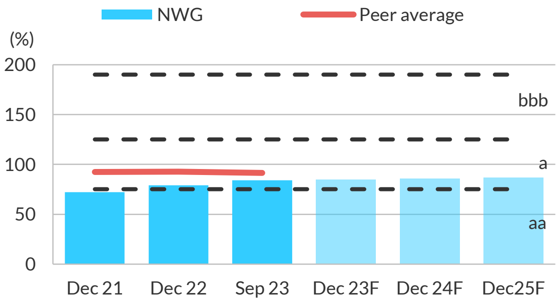
NWG performed strongly in the 2023 Bank of England annual scenario stress test, where its capital position remained above its CET1 ratio hurdle rate of 7% and its Tier 1 leverage ratio of 3.7% on an IRFS 9 transitional basis, with a low point of 11.1% CET1 ratio and 5.2% leverage ratio after strategic management actions.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

NWG's prudent funding and liquidity management reflects good access to stable deposit funding including a high proportion of current accounts and non-interest bearing accounts, as well as a diversified wholesale funding base with a good spread of maturities. Wholesale funding needs are mainly split between holding company debt for MREL requirements, wholesale funding needs in NWM and other subsidiaries, as well as for funding diversification.

A large buffer of on-balance-sheet liquid assets (largely cash on deposits at the Bank of England and UK bonds) and secondary liquidity sources, including assets eligible for discount at the central bank, support liquidity. The end-3Q23 liquidity coverage ratio of 142% was comfortably above regulatory requirements.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Lloyds Banking Group plc (VR: a), Nationwide Building Society (a), Santander UK Group Holdings plc (a), Virgin Money UK PLC (bbb+), Barclays plc (a), HSBC Holdings plc (a+). Financial year end of Nationwide Building Society is 04-Apr. Financial year end of Virgin Money UK PLC is 30-Sep. Latest average uses 1H23 data for Nationwide Building Society; FY23 data for Virgin Money UK PLC.

Financials

Financial Statements

	30 Sep 23		31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
	9 months - 3rd quarter (USDm) Unaudited	9 months - 3rd quarter (GBPm) Unaudited	Year end (GBPm) Audited - unqualified	Year end (GBPm) Audited - unqualified	Year end (GBPm) Audited - unqualified	Year end (GBPm) Audited - unqualified
Summary income statement						
Net interest and dividend income	10,318	8,411	9,842	7,614	7,749	8,047
Net fees and commissions	2,121	1,729	2,292	2,124	2,012	2,511
Other operating income	1,319	1,075	985	750	1,062	1,493
Total operating income	13,758	11,215	13,119	10,488	10,823	12,051
Operating costs	7,167	5,842	7,687	7,758	7,905	8,404
Pre-impairment operating profit	6,591	5,373	5,432	2,730	2,918	3,647
Loan and other impairment charges	554	452	337	-1,278	3,242	696
Operating profit	6,037	4,921	5,095	4,008	-324	2,951
Other non-operating items (net)	-169	-138	-225	300	-27	1,281
Tax	1,765	1,439	1,275	996	83	432
Net income	4,102	3,344	3,595	3,312	-434	3,800
Other comprehensive income	-780	-636	-2,970	-1,638	432	-2,100
Fitch comprehensive income	3,322	2,708	625	1,674	-2	1,700
Summary balance sheet						
Assets						
Gross loans	438,958	357,822	350,025	336,834	341,719	320,090
- Of which impaired	6,704	5,465	5,096	5,022	6,358	6,598
Loan loss allowances	4,476	3,649	3,434	3,806	6,186	3,792
Net loans	434,482	354,173	346,591	333,028	335,533	316,298
Interbank	10,371	8,454	6,862	7,493	6,802	10,524
Derivatives	107,346	87,504	99,545	106,139	166,523	150,029
Other securities and earning assets	146,529	119,445	83,494	119,407	132,839	132,819
Total earning assets	698,727	569,576	536,492	566,067	641,697	609,670
Cash and due from banks	146,707	119,590	144,832	177,757	124,489	77,858
Other assets	34,318	27,975	38,729	38,168	33,305	35,511
Total assets	879,753	717,141	720,053	781,992	799,491	723,039
Liabilities						
Customer deposits	521,583	425,175	442,606	467,390	429,172	369,088
Interbank and other short-term funding	42,993	35,046	59,682	69,362	52,063	54,421
Other long-term funding	76,687	62,512	49,323	48,889	48,986	52,537
Trading liabilities and derivatives	171,291	139,630	103,571	125,799	187,484	168,066
Total funding and derivatives	812,554	662,363	655,182	711,440	717,705	644,112
Other liabilities	23,702	19,321	28,256	28,630	37,817	35,225
Preference shares and hybrid capital	4,772	3,890	4,009	4,503	5,638	4,700
Total equity	38,725	31,567	32,606	37,419	38,331	39,002
Total liabilities and equity	879,753	717,141	720,053	781,992	799,491	723,039
Exchange rate		USD1 = GBP0.815162	USD1 = GBP0.828638	USD1 = GBP0.74438	USD1 = GBP0.745156	USD1 = GBP0.76211

Source: Fitch Ratings, Fitch Solutions, NatWest Group plc

Key Ratios

	30 Sep 23	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (%, annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	3.6	2.9	2.6	-0.2	1.7
Net interest income/average earning assets	2.1	1.7	1.3	1.2	1.3
Non-interest expense/gross revenue	52.1	58.5	75.5	72.8	69.7
Net income/average equity	13.9	10.5	8.8	-1.1	9.3
Asset quality					
Impaired loans ratio	1.5	1.5	1.5	1.9	2.1
Growth in gross loans	2.2	3.9	-1.4	6.8	3.8
Loan loss allowances/impaired loans	66.8	67.4	75.8	97.3	57.5
Loan impairment charges/average gross loans	0.2	0.1	-0.4	0.9	0.2
Capitalisation					
Common equity Tier 1 ratio	13.5	14.2	18.2	18.5	16.2
Fully loaded common equity Tier 1 ratio	13.4	14.0	17.8	17.5	16.2
Tangible common equity/tangible assets	3.4	3.3	3.9	3.9	4.4
Basel leverage ratio	4.2	4.3	4.4	5.2	5.1
Net impaired loans/common equity Tier 1	7.4	6.7	4.3	0.6	9.7
Funding and liquidity					
Gross loans/customer deposits	84.2	79.1	72.1	79.6	86.7
Gross loans/customer deposits + covered bonds	n.a.	78.6	71.6	79.1	85.4
Liquidity coverage ratio	142.0	157.0	172.0	165.0	151.0
Customer deposits/total non-equity funding	72.7	78.3	76.0	76.3	73.5
Net stable funding ratio	140.0	150.0	157.0	151.0	141.0

Source: Fitch Ratings, Fitch Solutions, NatWest Group plc

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Negative
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The GSRs of 'no support' (ns) for NWG, NatWest Bank and RBS reflect our view that senior creditors cannot rely on extraordinary support from the UK authorities in the event these issuers become non-viable. This is due to UK legislation and regulations that require senior creditors to participate in losses in a failure.

Environmental, Social and Governance Considerations

FitchRatings **NatWest Group plc**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

NatWest Group plc has 5 ESG potential rating drivers				Overall ESG Scale
NatWest Group plc has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.	key driver	0	issues	5
Governance is minimally relevant to the rating and is not currently a driver.	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

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