

NatWest Group plc

Key Rating Drivers

Strong Domestic Franchise: NatWest Group plc's (NWG) Long-Term Issuer Default Rating (IDR) is driven by its Viability Rating (VR), which is based on the group's consolidated financial profile. The VR reflects NWG's strong UK retail and commercial franchises, diversified business model and sound financial profile. The VR also considers NWG's role as a holding company and its low double leverage.

Group VR: Fitch Ratings assigns a group VR to The Royal Bank of Scotland Public Limited Company (RBS) and National Westminster Bank Plc (NatWest Bank) 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.

Weaker Economic Outlook: Fitch expects UK banks' performance to weaken in 2023 given the recession, materially higher interest rates, high inflation and a rise in unemployment, and for credit losses to rise from low levels. Net interest income growth will slow as materially higher funding costs weigh on net interest margins. Loan growth is likely to slow as higher interest rates dampen demand for mortgage loans and as borrower confidence remains weak due to affordability pressures and market uncertainty.

Diversified Loan Book: Commercial lending (28% of loans including reverse repos at end-3Q22) is large compared with domestic peers', and could come under pressure in the recessionary environment, although NWG has been de-risking its portfolio in recent years and the book is well diversified. Lower-risk mortgage loans (52% of loans; average loan-to-value (LTV): 53% at end-2Q22) mitigate credit risks, and higher-risk credit card and unsecured personal lending made up a modest 4% of loans.

Asset Quality to Deteriorate: NWG's impaired loans ratio (end-3Q22: 1.6%) has improved in recent years, reflecting restructuring and disposals of impaired loans, although we expect it to deteriorate to just over 2% into 2024, given the weaker economic outlook. The high proportion of secured lending and conservative underwriting should keep credit losses manageable.

Profitability to Remain Resilient: NWG's operating profit/risk-weighted assets (RWAs; 2.8% 9M22) have benefitted from wider margins, loan growth, strengthening non-interest income, and cost reductions. We expect profitability to remain strong, but the uplift from higher interest rates to diminish by 2024, with higher loan impairment charges and increasing funding costs.

Strong Capitalisation: NWG's common equity Tier 1 (CET1) ratio of 14.3% at end-September 2022 is strong and well above its regulatory minimum requirement plus buffers of 8.8%. The CET1 ratio fell from 18.2% at end-2021 given regulatory changes and capital distributions to shareholders. We expect the ratio to reduce further towards management's target range of 13%-14% for 2023 due to RWA inflation, dividend distributions and other capital actions.

Stable Funding and Liquidity: Funding and liquidity are managed prudently, with around three-quarters of funding sourced from generally stable customer deposits (retail and commercial), resulting in a lower-than-peers loans/deposits ratio of 75% at end-3Q22. We expect the ratio to remain robust, although it is likely to rise over time as affordability pressures lead to lower savings rates and depositors seek higher-yielding accounts.

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

Banks

Universal Commercial Banks
United Kingdom

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1

Viability Rating	a
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Government Support Rating	ns
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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

[Non-Bank Financial Institutions Rating Criteria \(January 2022\)](#)

[Bank Rating Criteria \(September 2022\)](#)

Related Research

[Fitch Rates NatWest Bank Europe GmbH 'A+' / Stable \(January 2023\)](#)

[Fitch Affirms NatWest Group at 'A'; Outlook Stable \(December 2022\)](#)

[Large European Banks Quarterly Credit Tracker - December 2022 \(December 2022\)](#)

[Stable Rating Outlooks for Major UK Banks Despite Deteriorating Sector Outlook \(December 2022\)](#)

[Fitch Affirms United Kingdom at 'AA-'; Outlook Negative \(December 2022\)](#)

[Global Economic Outlook - December 2022 \(December 2022\)](#)

[Western European Banks Outlook 2023 \(December 2022\)](#)

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Rating Sensitivities

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

NWG's ratings are primarily sensitive to changes in the group's VR. 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 currently expect, resulting in structurally weaker financial metrics. In particular, downward pressure could arise if the four-year average impaired loan ratio exceeds 3%, operating profitability deteriorates below 2% of RWAs for an extended period, and the CET1 ratio declines below the current target of 13%-14% without a credible plan to 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 UK banks' operating environment scores and the UK sovereign rating. Over the medium term, and with a stabilisation of the operating environment at the current level, positive rating action on the VR could come from a material strengthening of the group's business profile, leading to a broad-based and sustained improvement in operating profitability, while maintaining healthy asset quality and capital ratios.

Other Debt and Issuer Ratings

Issuer and Subsidiary Ratings

	HoldCo	Ring-Fenced Entities under NatWest Holdings				Non-Ring-Fenced Entities			
Rating level	NatWest Group plc (NWG)	National Westminster Bank Plc (NatWest Bank)	The Royal Bank of Scotland Public Limited Company (RBS)	Ulster Bank Ireland Designated Activity Company (UBI DAC)	NatWest Bank Europe GmbH (NWBE)	NatWest Markets Plc (NWM)	NatWest Markets N.V. (NWM N.V.)	Royal Bank of Scotland International Limited (RBSIL)	NatWest Markets Securities Inc. (NWMSI)
Long-Term IDR	A	A+	A+	BBB+	A+	A+	A+	A	A
Short-Term IDR	F1	F1	F1	F1	F1	F1	F1	F1	F1
Viability Rating	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.

NWM's, NWM N.V.'s, NWMSI's, NWBE's and RBSIL's Shareholder Support Ratings (SSRs) of 'a' are aligned with NWG's Long-Term IDR and 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's, NWM N.V.'s and NWBE's Long-Term IDRs are rated 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 of 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-3Q22, the group had agreements for the sale of around 90% 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 does 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.

Derivative Counterparty Ratings (DCRs): NWM's, NWM N.V.'s 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.

Short-Term IDRs: 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.

Debt Classes

Rating level	NatWest Group plc (NWG)	National Westminster Bank Plc (NatWest Bank)	NatWest Markets Plc (NWM)	NatWest Markets N.V. (NWM N.V.)	Royal Bank of Scotland International Limited (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 Debt

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

Subordinated Debt and Other Hybrid Securities

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.

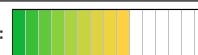
Subordinated debt with no coupon flexibility is notched down twice from the VR for incremental loss severity. Legacy upper Tier 2 subordinated debt is notched down three times (twice for loss severity and once for incremental non-performance risk, due to cumulative coupon deferral risk).

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

Ratings Navigator

NatWest Group plc

ESG Relevance:


Banks
Ratings Navigator

Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A Sta
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

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).

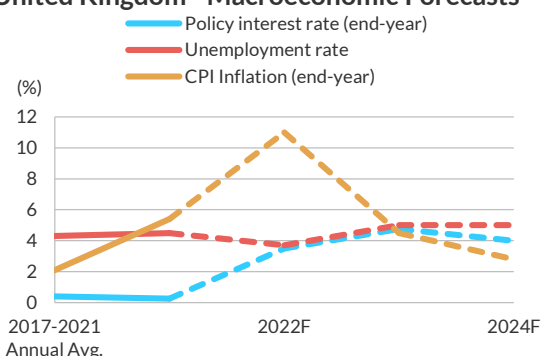
Company Summary and Key Qualitative Factors

Operating Environment

Fitch expects the UK to face a sizeable recession and, in the December 2022 Global Economic Outlook, cut the UK's 2023 GDP growth forecast to negative 1.2%, compared to the negative 0.2% forecast September. This reflects significant policy tightening and stubbornly high inflation weighing on household spending and business investment. The negative outlooks on the UK banks' operating environment scores mirror the Outlook on the UK sovereign rating (AA-/Negative) and we expect the sovereign rating to continue to act as a cap on our operating environment score.

Rising interest rates have provided an uplift to major UK banks' earnings through material widening of net interest margins (NIM) due to their leading low-cost, current account franchises – which have, so far, kept pass-through rates low. However, Fitch expects an increase in the pass-through rate to customer deposits in 2023, with higher funding costs resulting in NIMs widening more slowly in the medium term. Furthermore, weaker economic growth and affordability pressures for consumers will likely lead to asset quality deterioration, although impairment charges should remain manageable given a high share of secured loan portfolios (largely mortgage loans) and sound underwriting standards.

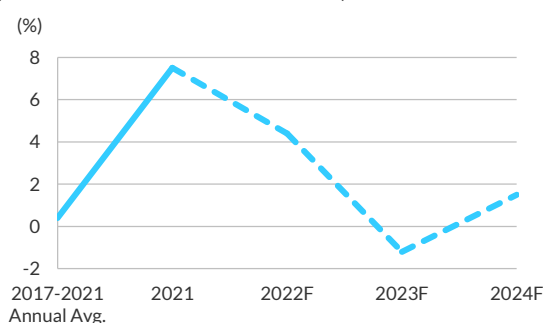
United Kingdom - Macroeconomic Forecasts



Source: Fitch Ratings

United Kingdom - GDP Growth

(December Global Economic Outlook)



Source: Fitch Ratings

Business Profile

NWG consists of a ring-fenced sub-group, complemented by a number of 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 25%), retail banking (around a 10% share of UK mortgages), current accounts (around 15% share of UK current accounts), 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, which remains strategically important.

UBI DAC was the third-largest bank in the Republic of Ireland, but began a phased withdrawal from the market in 2021 after a strategic review. As of end-3Q22 the group had agreements in place for the sale of around 90% of UBI DAC's loan book, with the majority of asset sales to Permanent TSB completed in 2022 and to Allied Irish Banks (tracker mortgages) to complete in the first half of 2023.

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

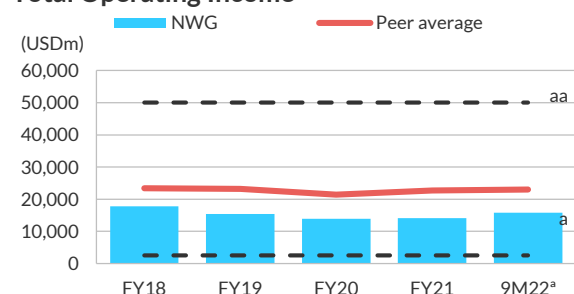
Non-Ring-Fenced Operations

NWM, NWM N.V., NWMSI and Royal Bank of Scotland International Limited (RBSIL) are mainly wholesale businesses and remain outside the regulatory ring fence. The group offers capital markets services (including risk-management solutions) 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 less than half of NWG's balance sheet at end-3Q22 given the size of NWM, with its large trading asset and derivative balances. However, NWM's balance sheet has decreased materially in recent years and it is now focused on providing the group's commercial customers with a more focused set of trading and

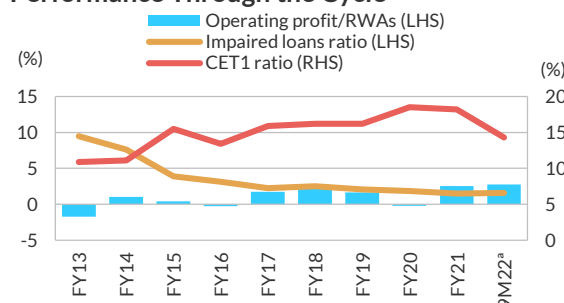
risk-management products. From 1Q22, NWG has combined its commercial banking, markets and international business (RBSIL) under the Commercial & Institutional division.

Total Operating Income



^a Annualised
Source: Fitch Ratings, Fitch Solutions

Performance Through the Cycle



^a Annualised
Source: Fitch Ratings, NWG

Risk Profile

NWG has made significant progress in de-risking over the past decade, as well as simplifying and reducing complexity across the group. Risk limits are conservative and in line with those of major UK bank 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 generally consider to be well managed.

Growth in its strategic businesses has been relatively modest, with a particular focus on mortgages given the supportive market dynamics in recent years. The mortgage book's average LTV of 53% at end-1H22 provides it with a strong buffer against potential house price falls, and 95% of loans had LTVs of 80% or less. The group's exposure to unsecured retail lending was relatively low compared to peers at 4% of total loans at end-3Q22.

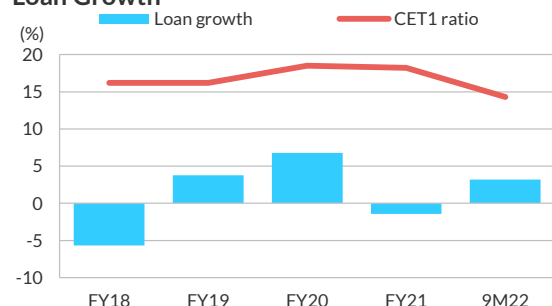
Commercial real estate (CRE) exposure has been actively reduced in recent years and made up around 5% of loans, with a modest average LTV of 48% at end-1H22. The CRE portfolio includes investment (88% of CRE loans) and development (12%) lending across residential, office, retail, industrial and other sectors, and is mostly in the UK. Property development lending is focused predominately on residential property.

Market risk is primarily due to interest rate risk in the banking book arising from fixed-rate mortgages. At end-1H22, a 25bp parallel upward shift in the yield curve would have increased net interest income by GBP276 million over twelve 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, NWG

Financial Profile

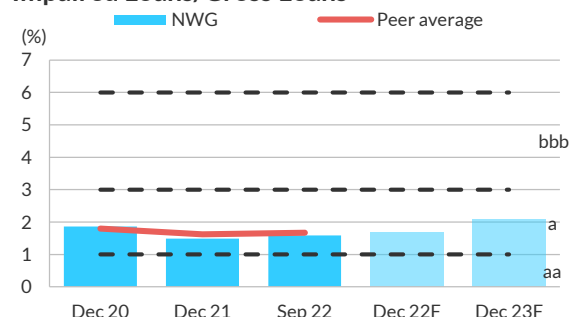
Asset Quality

We expect 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 2024 given the low starting point (end-3Q22: 1.6%), conservative underwriting and the group's high exposure to lower-risk mortgage lending, which should underpin asset quality.

Stage 2 balances have started to increase after recovering from pandemic related highs in 2020, but the growth was mainly due to increased downside weightings on NWG's IFRS9 macro-economic scenarios rather than an underlying deterioration in the quality of the loan book. At end-3Q22 Stage 2 loans accounted for 10% of gross loans, up from 8.4% at end-2Q22. The majority of Stage 2 balances are commercial banking loans in vulnerable sectors such as leisure and retail.

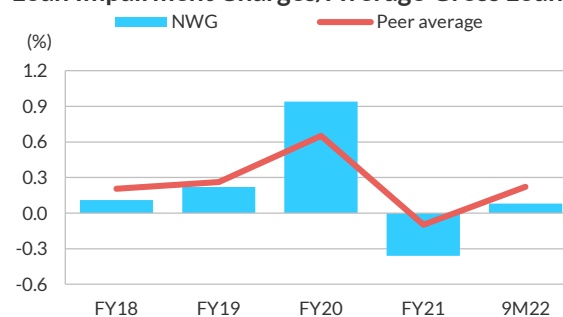
NWG booked GBP242 million of loan impairment charges (LICs) in 3Q22 (9M22: GBP193 million) as a result of the increased weighting applied to its downside scenarios given the weaker economic outlook in the UK. At end-3Q22 NWG held 1% of loan loss allowances against gross loans (end-2021: 1%), as the loan book remained resilient. The group continues to hold post model adjustments for economic uncertainty of GBP545 million at end-3Q22 (16bp 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 2022 LICs still expected to be below 10bp (9M22: 8bp, annualised).

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Loan Impairment Charges/Average Gross Loans



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

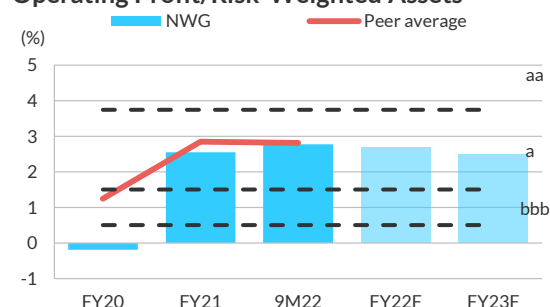
We expect profitability to remain robust in 2023, on strong operating income, despite increased LICs, higher funding costs and inflationary pressures on costs.

Net interest income will continue to benefit from further UK interest rate rises, although we expect the NIM uplift to moderate as deposit pass-through rates increase and loan growth slows. The bank estimates that a 25bp rise in rates from end-1H22 will have a net interest income benefit of around GBP276 million (in 2023), GBP377 million (2024) and GBP476 million (2025). The bank will benefit from the impact of rising rates on its structural hedge programme as well as its ability to widen spreads, assuming that competitive pressures remain manageable.

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.

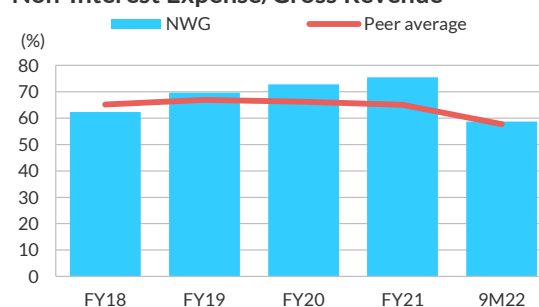
NWG's annualised cost/income ratio fell to 59% in 9M22 (2021: 76%) with the bank expecting a 3% reduction in operating expenses, excluding litigation and conduct costs, in 2022 although inflationary pressures will challenge cost control, in our view. NWG expects total exit costs of about EUR900 million for UBI DAC as part of the withdrawal from the Republic of Ireland. The bank booked EUR514 million of exit costs in 3Q22, with the majority of costs expected to be incurred by 2024.

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Non-Interest Expense/Gross Revenue



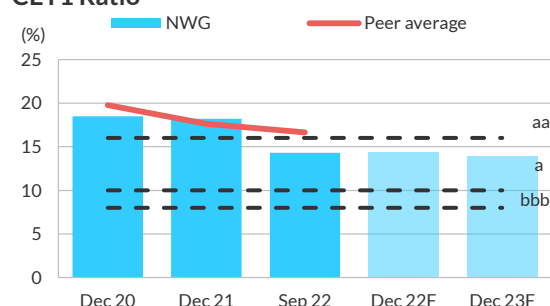
Source: Fitch Ratings, Fitch Solutions

Capital and Leverage

NWG's CET1 ratio was 14.3% at end-September 2022 (end-2021: 18.2%). The bank is targeting a CET1 ratio between of 13%–14% by end-2023, with profits generated offset by shareholder distributions via both dividends and share buybacks and loan growth. Dividends to the end of 2023 are expected to reduce the CET1 ratio by around 70bp via a minimum of GBP1 billion of dividends per year, with buybacks expected to reduce the ratio by a further 65bp.

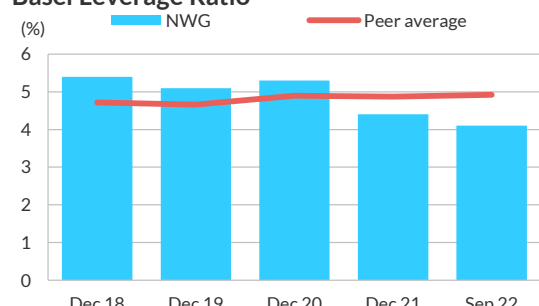
The current CET1 ratio provides 550bp headroom above its Maximum Distributable Amount (MDA) threshold, while headroom above its minimum UK leverage ratio (3.25%) was 195bp at end-3Q22 (5.2%), providing significant buffers to absorb any unexpected losses without breaching requirements. NWG's total capital (19.2%) and Basel leverage (4.1%) ratios (including central bank claims) were sound at end-3Q22.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Basel Leverage Ratio



Source: Fitch Ratings, Fitch Solutions

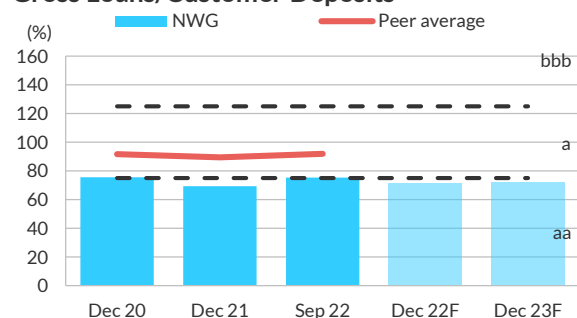
Funding and Liquidity

NWG's prudent funding and liquidity management reflects good access to stable deposit funding and a diversified wholesale funding base with a 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 and UK government bonds and secondary liquidity sources, including assets eligible for discount at the Bank of England) support the liquidity. The end-3Q22 liquidity coverage ratio of 164% was comfortably above regulatory requirements.

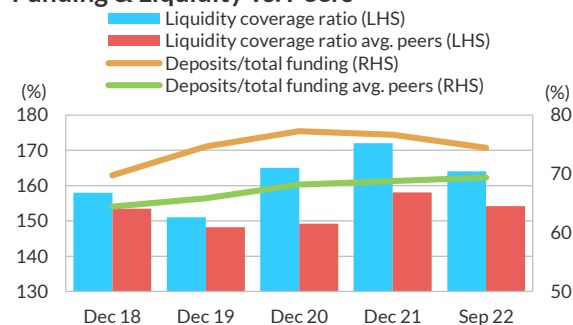
NWG's minimum requirement for own funds and eligible liabilities (MREL), together with buffers, is set at 24.7% of its RWAs. The group's MREL ratio (end-2Q22: 31.7%) has a large 700bp buffer above minimum requirements.

Gross Loans/ Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding & Liquidity vs. Peers



Source: Fitch Ratings, Fitch Solutions

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), HSBC Holdings plc (a+), Barclays plc (a). Financial year-end for Nationwide Building Society is 4 April. Latest average uses 1H22 data for Nationwide Building Society.

Financials

Financial Statements

	30 Sep 22		31 Dec 21	31 Dec 20	31 Dec 19
	9 months - 3rd quarter (USDm)	9 months - 3rd quarter (GBPm)	Year end (GBPm)	Year end (GBPm)	Year end (GBPm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	7,717	6,974.0	7,614.0	7,749.0	8,047.0
Net fees and commissions	1,856	1,677.0	2,124.0	2,012.0	2,511.0
Other operating income	882	797.0	750.0	1,062.0	1,493.0
Total operating income	10,455	9,448.0	10,488.0	10,823.0	12,051.0
Operating costs	6,141	5,549.0	7,758.0	7,905.0	8,404.0
Pre-impairment operating profit	4,315	3,899.0	2,730.0	2,918.0	3,647.0
Loan and other impairment charges	214	193.0	-1,278.0	3,242.0	696.0
Operating profit	4,101	3,706.0	4,008.0	-324.0	2,951.0
Other non-operating items (net)	-228	-206.0	300.0	-27.0	1,281.0
Tax	1,360	1,229.0	996.0	83.0	432.0
Net income	2,513	2,271.0	3,312.0	-434.0	3,800.0
Other comprehensive income	-3,557	-3,214.0	-1,638.0	432.0	-2,100.0
Fitch comprehensive income	-1,044	-943.0	1,674.0	-2.0	1,700.0
Summary balance sheet					
Assets					
Gross loans	384,640	347,588.0	336,834.0	341,719.0	320,090.0
- Of which impaired	6,110	5,521.0	5,022.0	6,358.0	6,598.0
Loan loss allowances	3,750	3,389.0	3,806.0	6,186.0	3,792.0
Net loans	380,890	344,199.0	333,028.0	335,533.0	316,298.0
Interbank	10,572	9,554.0	7,493.0	6,802.0	10,524.0
Derivatives	156,033	141,002.0	106,139.0	166,523.0	150,029.0
Other securities and earning assets	128,037	115,703.0	131,454.0	151,599.0	153,398.0
Total earning assets	675,532	610,458.0	578,114.0	660,457.0	630,249.0
Cash and due from banks	171,817	155,266.0	177,757.0	124,489.0	77,858.0
Other assets	39,582	35,769.0	26,121.0	14,545.0	14,932.0
Total assets	886,931	801,493.0	781,992.0	799,491.0	723,039.0
Liabilities					
Customer deposits	510,331	461,171.0	485,108.0	452,401.0	390,597.0
Interbank and other short-term funding	40,466	36,568.0	69,362.0	52,063.0	54,421.0
Other long-term funding	59,189	53,487.0	48,889.0	48,986.0	52,537.0
Trading liabilities and derivatives	221,001	199,712.0	125,799.0	187,484.0	168,066.0
Total funding and derivatives	830,987	750,938.0	729,158.0	740,934.0	665,621.0
Other liabilities	17,262	15,599.0	10,912.0	14,588.0	13,716.0
Preference shares and hybrid capital	4,305	3,890.0	4,503.0	5,638.0	4,700.0
Total equity	34,378	31,066.0	37,419.0	38,331.0	39,002.0
Total liabilities and equity	886,931	801,493.0	781,992.0	799,491.0	723,039.0
Exchange rate	USD1 = GBP0.90367		USD1 = GBP0.74438	USD1 = GBP0.745156	USD1 = GBP0.76211

Source: Fitch Ratings, Fitch Solutions, NatWest Group plc

Key Ratios

	30 Sep 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.8	2.6	-0.2	1.7
Net interest income/average earning assets	1.6	1.3	1.2	1.3
Non-interest expense/gross revenue	58.7	75.5	72.8	69.7
Net income/average equity	8.8	8.8	-1.1	9.3
Asset quality				
Impaired loans ratio	1.6	1.5	1.9	2.1
Growth in gross loans	3.2	-1.4	6.8	3.8
Loan loss allowances/impaired loans	61.4	75.8	97.3	57.5
Loan impairment charges/average gross loans	0.1	-0.4	0.9	0.2
Capitalisation				
Common equity Tier 1 ratio	14.3	18.2	18.5	16.2
Fully loaded common equity Tier 1 ratio	14.1	17.8	17.5	16.2
Tangible common equity/tangible assets	3.0	3.9	3.9	4.4
Basel leverage ratio	4.1	4.4	5.2	5.1
Net impaired loans/common equity Tier 1	8.3	4.3	0.6	9.7
Funding and liquidity				
Gross loans/customer deposits	75.4	69.4	75.5	82.0
Liquidity coverage ratio	164.0	172.0	165.0	151.0
Customer deposits/total non-equity funding	74.4	76.7	77.2	74.6
Net stable funding ratio	148.0	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				key driver	0	issues	5	
➡	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.			driver	0	issues	4	
➡	Governance is minimally relevant to the rating and is not currently a driver.			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 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.

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

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.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	1 Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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