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NatWest Group PLC

Primary Credit Analyst:
William Edwards, London + 44 20 7176 3359; william.edwards@spglobal.com

Secondary Contact:
Richard Barnes, London + 44 20 7176 7227; richard.barnes@spglobal.com

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NatWest Group PLC

Ratings Score Snapshot

Issuer Credit Rating
BBB+/Stable/A-2

SACP: a- → **Support: +2** → **Additional factors: 0**

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
BBB+/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
A market leader in U.K. retail and corporate banking.	Geographic concentration in the U.K.
Sound capital, funding, and liquidity profiles.	Mixed U.K. economy, which will continue to undermine marginal borrowers' credit quality, pushing impairments and nonperforming assets up from historical lows.
Disciplined risk management.	

NatWest Group PLC's (NWG's) successful business, strong earnings outlook, and resilient balance sheet underpin our rating on the group. The deep and broad U.K. banking franchise, disciplined strategic execution, and cautious risk appetite translate into significant financial resilience.

NWG is a strongly performing national champion bank, with a robust earnings outlook and cautious risk appetite. The group's strategic position is strong. Its leading U.K. commercial business, focused U.K. investment banking franchise, and primarily secured retail book leave the group's franchise in a solid position.

The group's deep, stable, and efficient U.K. universal banking franchise supports a solid earnings outlook. Overall, we forecast that the group will maintain a return on tangible equity of at least 14.0% in the next two years.

A tightly managed lending appetite has led to well-contained nonperfoming assets (NPAs). Stage 3 assets were 1.7% of total group loans at first-half 2024, up modestly from 1.6% at year-end 2023 as asset quality in the U.K. continues to gradually normalize after a buoyant post-pandemic period. In our view, NWG's solid asset quality will further bolster the group's earnings stability and consistency in the next couple of years.

The group's funding and liquidity is solid. NWG's balance sheet is built from a mix of diffuse retail depositors, and a deep and diversified pool of commercial and institutional depositors. On top of this, the group's liquidity portfolio is dominated by central bank deposits, which represented 70% of its high-quality liquid asset buffers at first-half 2024. Together, its stable funding sources and cautious liquidity policy bolster the rating.

Outlook

The stable outlook indicates that we expect NWG's credit profile to remain robust over our two-year outlook horizon. We anticipate that its earnings will remain strong and it will maintain solid funding and liquidity profiles.

Downside scenario

We could lower the ratings if economic pressures and geopolitical uncertainty appear likely to impair NWG's asset quality and earnings materially. Furthermore, any ongoing economic volatility that undermines the broad stability of the U.K. banking and financial system could lead to a downgrade.

Upside scenario

An upgrade is unlikely in the next 24 months. We could raise the ratings during in that time if NWG maintains a risk-adjusted capital (RAC) ratio comfortably above 10% while continuing to deliver stable, peer-leading profitability. We view the possibility of this as remote, given that our base-case scenario is for the group's RAC ratio of less than 9.5% by year-end 2025. This is a comfortable level for the rating but well below the 10% threshold for a higher rating.

Key Metrics

NatWest Group PLC--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	25.8	11.1	(3.5)-(4.5)	2.5-3.5	3.5-4.5
Growth in customer loans	4.0	1.0	0.0-(0.5)	1.5-2.5	1.5-2.5
Net interest income/average earning assets (NIM)	2.1	2.3	2.1-2.3	2.2-2.4	2.2-2.5
Cost-to-income ratio	54.9	51.7	53.5-56.5	52.5-55.5	51.5-54.5
Return on average common equity	8.8	12.6	10.5-11.7	10.5-11.7	10.8-12.0
New loan loss provisions/average customer loans	0.1	0.2	0.1-0.2	0.1-0.2	0.1-0.2
Gross nonperforming assets/customer loans	1.6	1.7	1.8-1.9	1.8-2.0	1.8-2.0

NatWest Group PLC--Key ratios and forecasts (cont.)

	--Fiscal year ended Dec. 31--				
(%)	2022a	2023a	2024f	2025f	2026f
Risk-adjusted capital ratio	9.1	8.8	9.0-9.5	9.0-9.5	9.0-9.5

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+', Reflecting NatWest's Domestic Focus

We use our Banking Industry Country Risk Assessment economic risk and industry risk scores to determine the anchor. The 'bbb+' anchor reflects the geographic mix of NatWest's total credit exposure. Given its concentration in the U.K., this leads to a weighted-average economic risk score of '4'.

The U.K. economy remains weak, characterized by slow-to-no growth and sticky inflation. Growth in 2023 crept in at 0.1%, and we anticipate only modest GDP expansion of 1% in 2024. With growth remaining at a trickle, we expect inflation will remain elevated on a tight labor market and persistent, if cooling, wage inflation (for more information, see "U.K. Economic Outlook Q4 2024: Disinflation And Rate Cuts Will Stimulate Growth," published Sept. 23, 2024, on RatingsDirect). Even so, we forecast that the Bank of England will begin cutting rates in second-half 2024 as inflation risk eases. Foundations of low unemployment, resilient house prices, and robust corporate asset quality give banks breathing room against this backdrop. This underpins our stable economic risk trend.

The industry risk trend is also stable. The Bank of England and government measures throughout the pandemic era speak to the U.K.'s well developed regulatory framework. As rates peaked, costs remained under control, and impairments were subdued in the U.K., so banks' earnings were strong in the past 18 months. In 2024, elevated rates will support earnings, even as deposits migrate to interest bearing products as depositors look to lock in higher rates; we expect costs to be stable, as investment continues at pace and service and wage inflation put strain on operating costs; and impairments look set to normalize steadily through the year as monetary policy tightening hits marginal borrowers (for more information, see "U.K. Banks Are Well Positioned For Sustained Strong Performance After First-Half Results," published Aug. 8, 2024). U.K. banks' funding and liquidity positions are also stable, and rated banks have relatively limited wholesale funding needs for the rest of 2024.

Business Position: A Deep And Profitable Franchise In U.K. Retail And Commercial Banking

We assess NatWest's business position as strong. Our assessment reflects the group's deep and efficient franchise in its core markets, and the robust, stable revenue and earnings we expect this to generate in the next couple of years. This assessment is tempered by NWG's geographic concentration in the U.K.

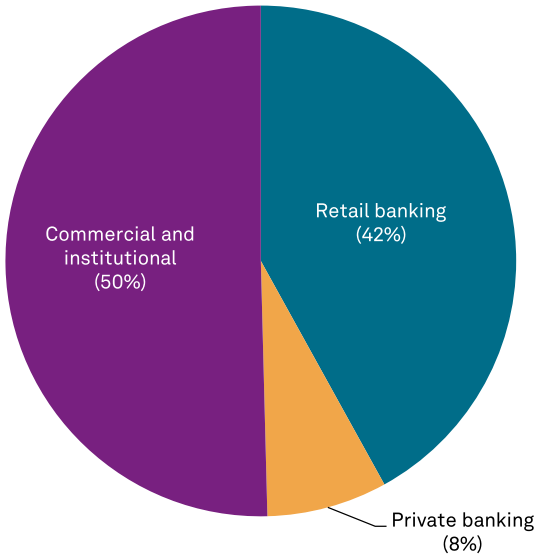
NatWest is focused strongly on its U.K core. The group's franchise comprises three segments: Retail Banking, Private Banking (mostly under the Coutts brand), and the Commercial and Institutional division (see chart 1). The latter combines the Commercial Banking, NatWest Markets (NWM), and Royal Bank of Scotland International (RBSI) businesses. Geographically, the bank focuses almost entirely on the U.K., although its NWM and RBSI franchises give

the bank's institutional clients access to international markets, and National Westminster Bank Europe GmbH gives ring-fenced bank customers access to the EU. We expect the group to pursue controlled incremental growth through these international channels, with its lending still dominated by the U.K. market.

NWM remains an important component of the group's medium-term strategy. The business has been refocused, with greater emphasis on the profitable U.K. flow business with institutional clients, and capital-efficient financing with corporate customers. Its share of group regulatory risk-weighted assets (RWAs) fell to 11% at June 30, 2024--this contained level simplifies our view of NatWest's credit and risk profile.

Chart 1

NatWest's revenue is dominated by U.K. retail and commercial banking
Total income by division in the six months to June 30, 2024



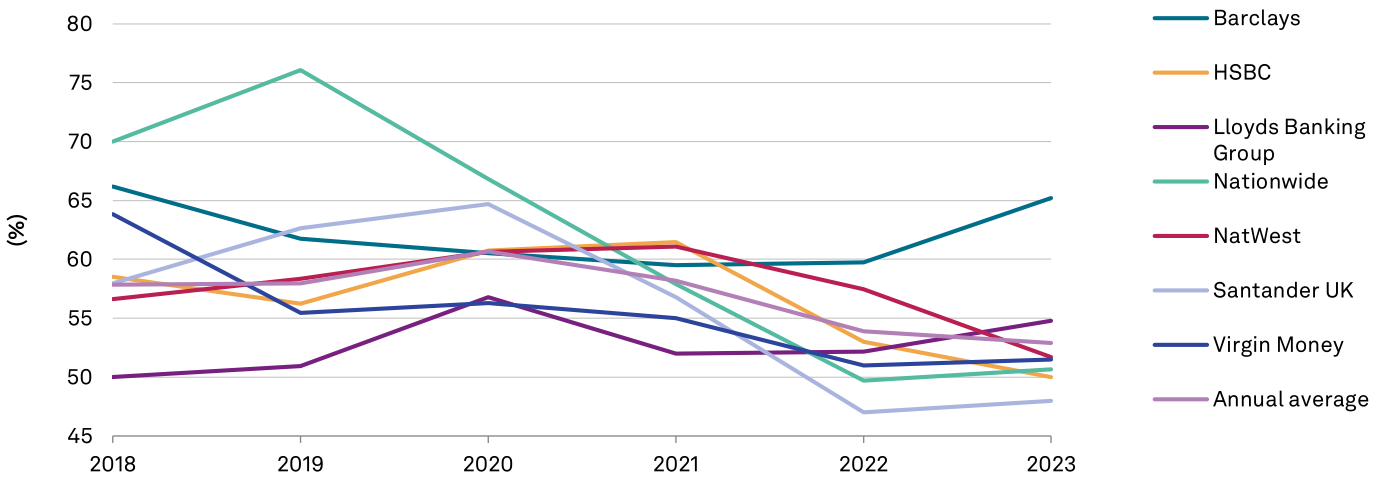
Commercial and Institutional includes the former Commercial Banking, NatWest Markets, and Royal Bank of Scotland International divisions. Source: NatWest.
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NatWest's intense focus on simplifying the scope of its operations and heavy investment in digitalization have enabled the group to control its operating expense base. Against strong inflationary headwinds, NWG has kept operating costs under control. Underpinning this is an emphasis on investing in the bank's technology initiatives to improve its resilience, accelerate its digitalization, and remove cost. Indeed, even among U.K. incumbent bank peers that have invested heavily in technology and operational resilience, we see NatWest as well-advanced in digitizing its customer service and internal processes.

A simplified business model and strong progress in its technological transformation has allowed the group to keep its operating expense under control. Although strong improvement in the group's cost-to-income ratio in 2022 and 2023 is partly a consequence of rapid earnings growth on interest rate rises, our measure of operating expense rose only 4.8% from 2021-2023, even as inflation peaked above 10% in that time (see chart 2).

Chart 2

NWG's operating efficiency has improved
Cost-to-income ratio of major U.K. banks



NWG--NatWest Group. HSBC--Hong Kong and Shanghai Banking Corp. Source: S&P Global Ratings.
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NatWest's consistent strategic execution and deep U.K. franchise generate strong returns through the cycle. We think the combination of NatWest's focused lending franchise and deeply diversified deposit base give it a stable earnings foundation through rate and credit cycles in the U.K.

Capital And Earnings: Strong Returns And Comfortable Surplus Capital

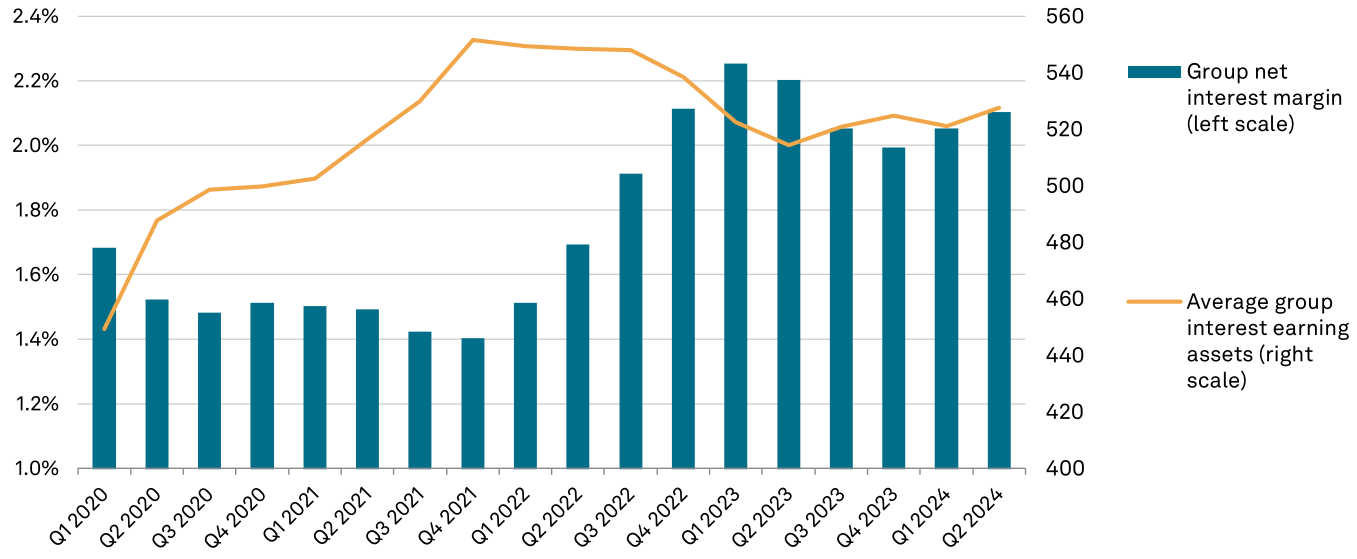
We anticipate NatWest's earnings will remain strong over the next two years. We expect the group will pay most of the capital it generates to shareholders in the form of dividends and buybacks. To this end, we project that our RAC ratio will hover in the middle-to-top end of the 7%-10% range in the next couple of years. This is consistent with an adequate assessment of capital and earnings. We do not identify material qualitative factors that would support a stronger score.

NatWest's net interest margin widened rapidly in 2022 and 2023, and we expect it to remain elevated under our base-case scenario (see chart 3). Even as the bank's deposit mix has shifted materially since 2022, its net interest margin is at or near multiyear highs, and recovered in second-quarter 2024 after tapering through late 2023. We expect margins to widen during our base-case scenario, with rising yields on the bank's structural hedge raising net interest income. This scenario also accounts for the slowing impact of the maturing and replacement of higher-margin

pandemic-era mortgages with less profitable new business, which represented only a modest 2 basis points drag to net interest margins in second-quarter 2024.

Chart 3

NatWest's NIM has been resilient in 2024 as rates have stayed high
Quarterly net interest margin and average interest-earning assets



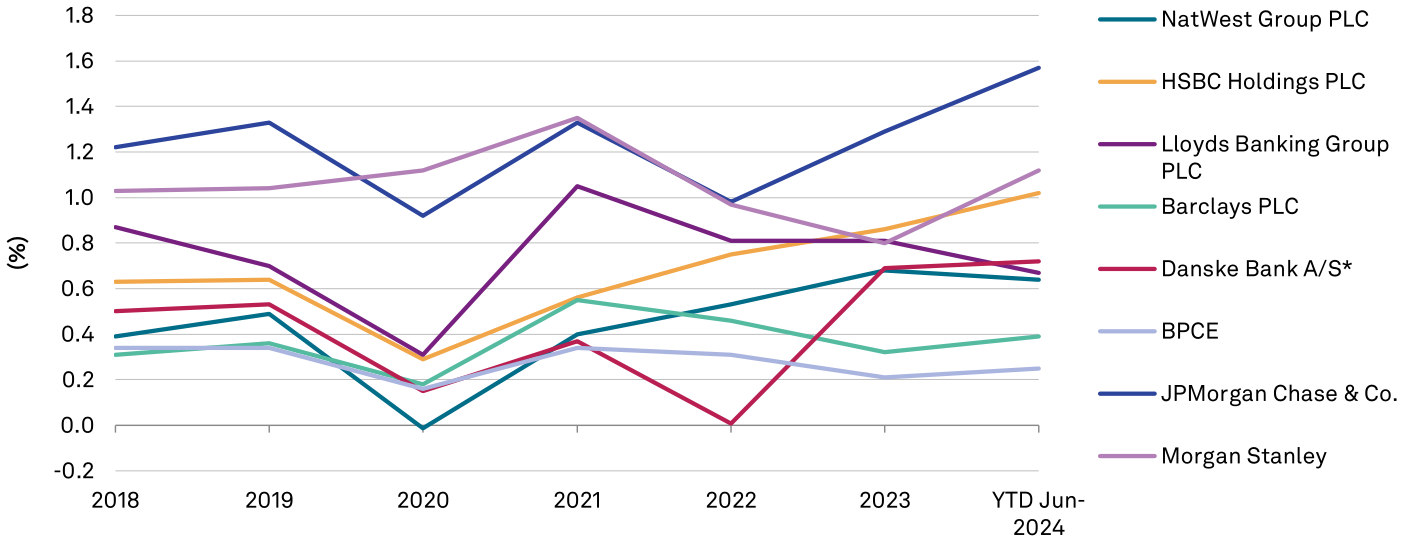
Q--Quarter. NIM--Net interest margin. Source: NatWest.

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Strong earnings support a solid capital position. We calculate that the group's strong returns represent significant core capital generation of about 150 basis points (bps) of S&P Global Ratings-adjusted RWAs on a forward-looking basis. This level is comfortably above that of most European peers. Furthermore, its return on its average adjusted assets are in line with leading U.K. and American universal service banks (see chart 4). Although we expect growing shareholder distributions to consume most excess capital, we also expect NWG to use excess capital for modest inorganic and organic growth and to implement regulatory changes in its regulatory RWA base. Together, we expect the group's common equity Tier 1 (CET1) capital position to move toward the lower end of its 13%-14% target range over the next 24 months.

Chart 4

NWG's core capital generation compares well with major peers
Core earnings/average adjusted assets



*2022 data for Danske is not meaningful as they reported a loss. YTD--Year to date. HSBC--Hong Kong and Shanghai Banking Corporation. BPCE--Banque Populaire Caisse d'Epargne. PLC--Public limited company. NWG--NatWest Group.
Source: S&P Global Ratings.
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While we expect modest incremental growth in the group's loan book, we do not expect this lending to come at the expense of NWG's tight and consistent risk appetite. We expect the group to operate with an impairment rate of 15-20 basis points of its average gross customer loans.

The group's S&P Global Ratings-adjusted capitalization is in a comfortable surplus throughout our base-case scenario. The combined strong capital generation, modest asset growth, and significant capital returns to shareholders mean that we forecast an S&P Global Ratings' risk-adjusted capital position of 9.2%-9.5% for year-end-2026. This is consistent with NWG's planned CET1 trajectory.

We view the quality of NatWest's capital as satisfactory and consistent with that of peers. Hybrid instruments represented 14% of our total adjusted capital measure, the numerator of the RAC ratio, at year-end 2023.

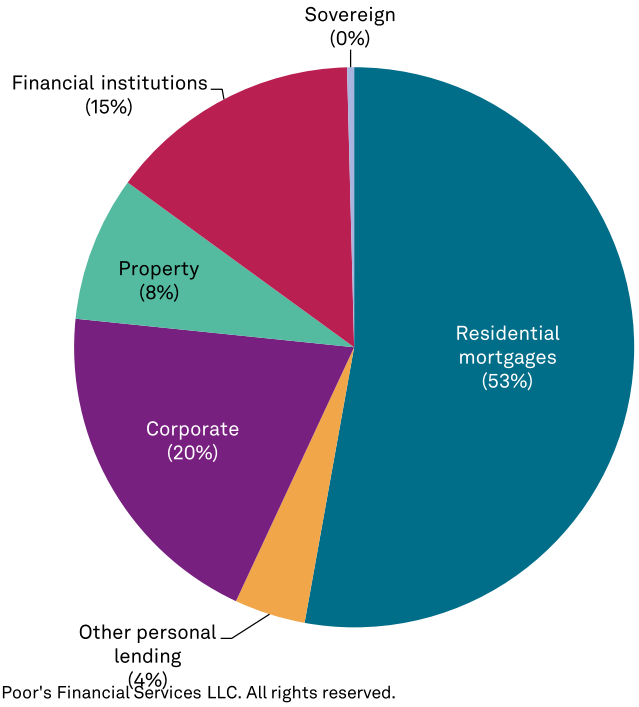
Risk Position: Normalization in Asset Quality After A Benign Period

Loan arrears remain very low but are likely to stabilize as slow economic growth and normalizing unemployment follow a period of sharp U.K. inflation. We think that NWG's prime, well-collateralized credit portfolio provides a solid base to manage these pressures though.

NatWest's lending mostly focuses on the U.K. and features good sectoral diversity (see chart 5). Compared with its solid footprints in the retail mortgage and commercial lending spaces, NWG has an underweight position in unsecured consumer credit--largely due to a cautious underwriting stance. Even so, the bank has signaled a clear growth appetite in this loan book and in June this year it announced its intention to acquire approximately £2.5 billion of gross customer assets from Sainsburys Bank PLC, constituting £1.4 billion of unsecured personal loans and £1.1 billion of credit cards balances. Pro forma the transaction, unsecured lending will represent about 5% of the bank's ring-fenced bank loan book. Even with this transaction, we do not expect unsecured lending to form a notably large portion of the balance sheet in the next year and expect that mortgages will continue to dominate NWG's retail loan book. On July 26, 2024 the bank announced the acquisition of a £2.5 billion portfolio of prime U.K. residential mortgages from Metro Bank, which completed Sept. 30. Although we see this transaction as less strategically significant than the Sainsburys deal, it supports the bank's solid footprint in the U.K. mortgage market. Beyond inorganic activity like this, we forecast that the bank's mortgage portfolio will grow at broadly the same pace as the overall U.K. market.

Chart 5

NatWest's U.K.-focused loan portfolio is diversified by asset class
Gross loans to customers and banks as of June 30, 2024



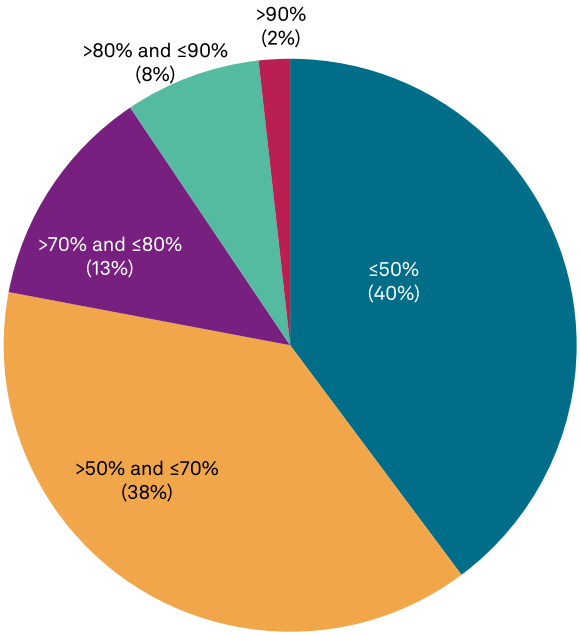
Source: NatWest.
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NatWest's mortgage book is cautiously underwritten with low loan-to-value (LTV) ratios. As with other U.K. banks, NatWest underwrites its mortgage book based on borrowers' stressed repayment capacity. Still, the LTV profile of the group's book indicates good collateral coverage in the event of foreclosure (see chart 6). The average LTV of the retail banking division's owner occupied mortgage stock was 55% at year-end 2023, and 49% for the small amount of stage 3

mortgage balances in the same book.

Chart 6

NatWest's U.K. residential mortgage portfolio is well collateralized
Loan-to-value profile of the retail banking division's mortgage loans at year-end 2023

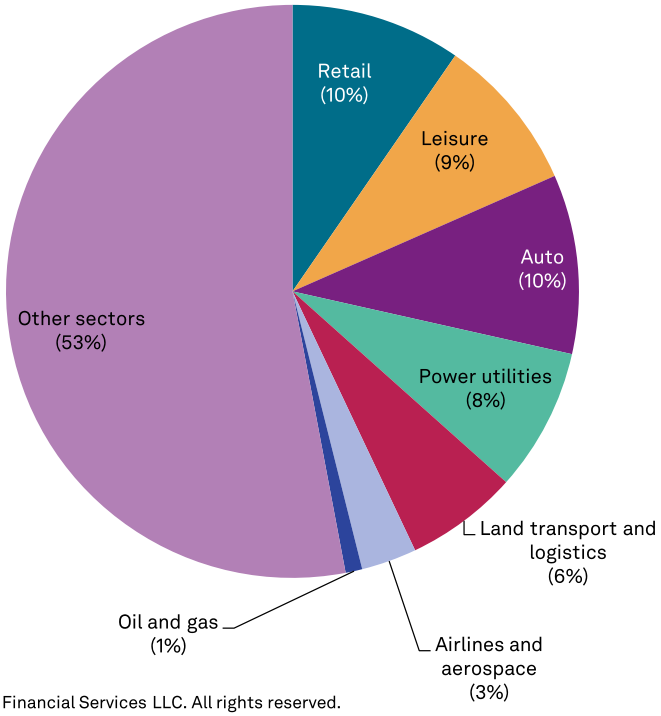


Source: NatWest.
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NatWest's corporate lending portfolio is well diversified, but carries pockets of risk. We see incremental credit risk in sectors such as retail and leisure that have been hard hit by consistently high inflation, uneven consumer confidence and spending, and high real increases in labor costs (see chart 7). More recently, rising interest rates and sticky inflation have ratcheted up pressure on sectors like agriculture and manufacturing, while idiosyncratic risks have risen in industries like U.K. utilities. We think NatWest has been proactive in managing these portfolios' risk.

Chart 7

NatWest's commercial loan book is diversified by sector
Reported sectoral breakdown of corporate loans at June 30, 2024



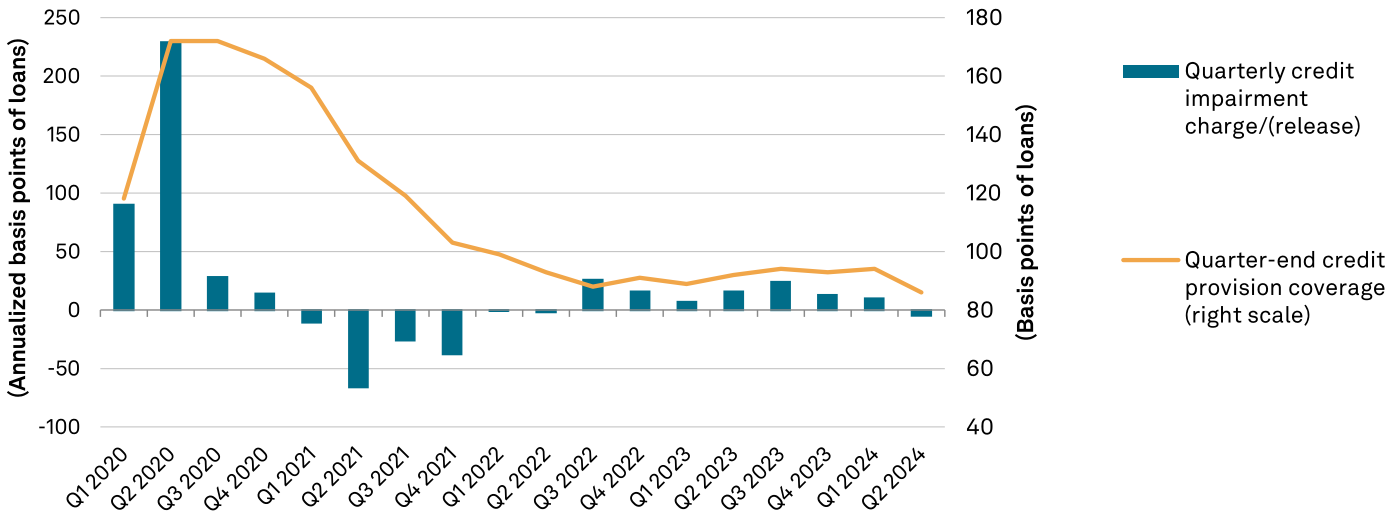
Source: NatWest.
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NatWest's commercial real estate portfolio is limited. NatWest reported a 48% average LTV for its £13.3 billion of commercial real estate (CRE) exposure that reported an LTV for first-half 2024, with 2.4% classified as stage 3. This represents a material downsizing and de-risking of this portfolio in recent years--in 2019, the book reached £17.3 billion with nonperforming exposure representing 2.5% of gross lending. The total CRE loan book including lending without a reported LTV was £17.9 billion at first-half 2024, down from £23.1 billion at year-end 2019.

The group's impairment charges have been subdued in the past 18 months (see chart 8), but we forecast normalization across 2025. Despite economic stress, stage 3 or nonperforming exposure remains low. Even so, flows into arrears and nonperformance have risen from their pandemic era floor, and stabilized at an affordable level, even if it is relatively high compared with the extraordinary lows. For instance, excluding post-model adjustments, the group's underlying annualized first-half impairment charges for the group were about 10 bps. We expect 2024 impairment charges to come in at about 10 bps, before moving up to 15-20 bps thereafter. NatWest estimates a 20-30 bps through-the-cycle loss rate.

Chart 8

Impairment charges and provision coverage are on a steady path to normalization
Quarterly impairment charges and credit provision coverage



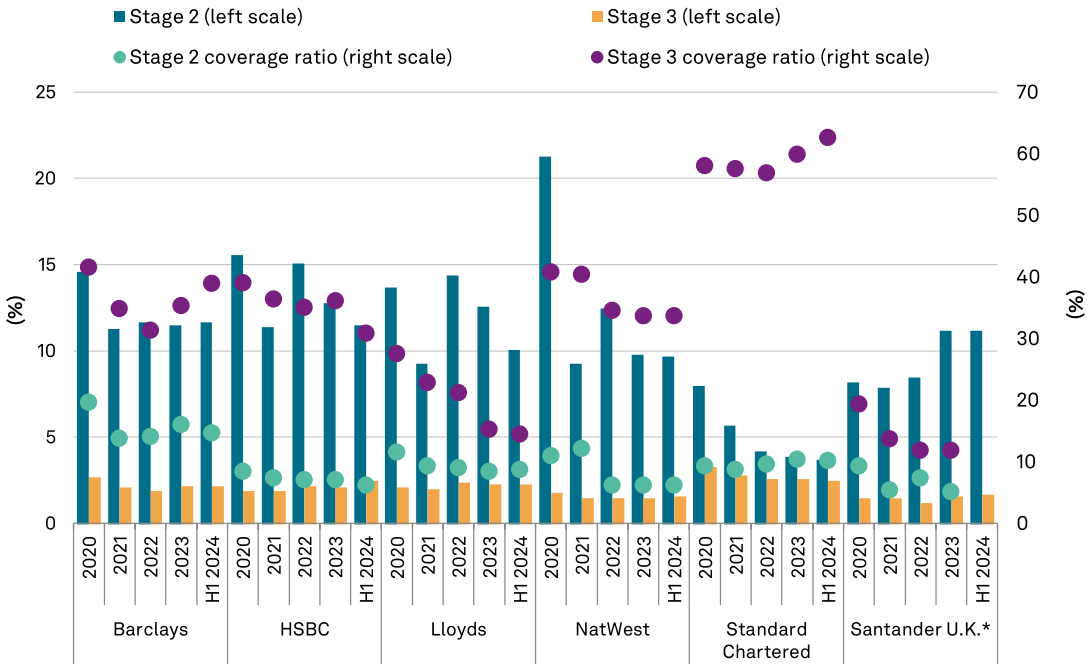
Q--Quarter. Source: NatWest.

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NWG's stage 2 and 3 loans stand at similar levels to peers'. Most of its stage 2 loans are fully performing, but we expect the proportion in arrears to gradually tick up as performance normalizes (see chart 9). Provision coverage of stage 2 and 3 loans is similar to peers' and account for the collateral held against these exposures.

Chart 9

Stage 2 and 3 lending are normalizing for NatWest and its major peers
Stages 2 and 3 loans as percentages of total portfolios



*Data not disclosed in preliminary H1 results. H1--First-half. HSBC--Hong Kong and Shanghai Banking Corp.
Source: S&P Global Ratings-adjusted figures.
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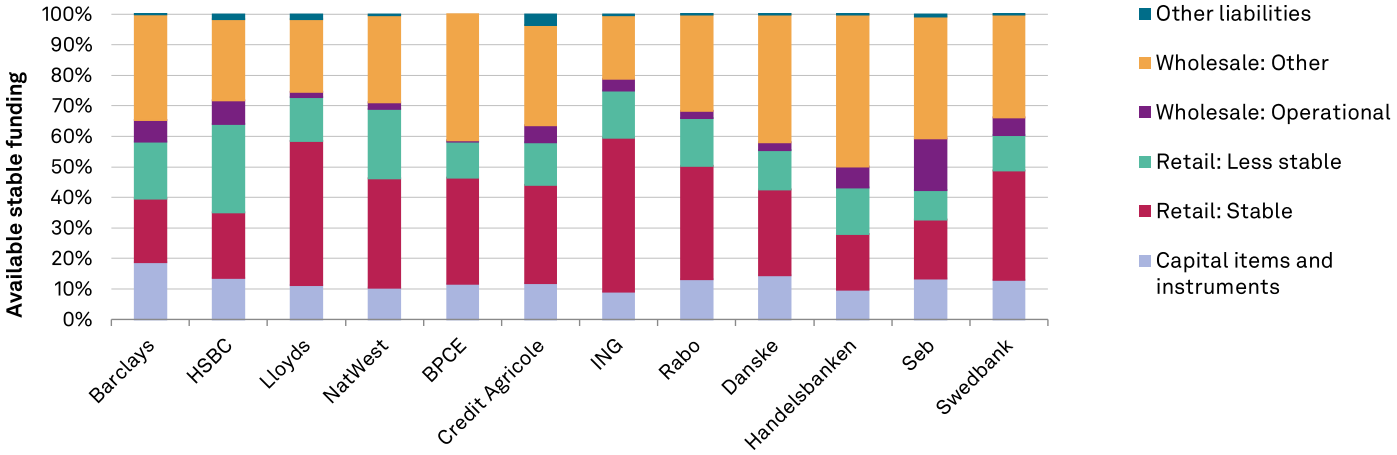
NatWest's balance sheet gives rise to material nontrading market risks. The group uses a structural hedge program to mitigate this, reducing the group's sensitivity to interest rates through the rate cycle. The RAC ratio also does not fully capture potential volatility arising from the large defined-benefit pension fund, but favorable revaluation in 2022 and NWG's history of recent pension contributions have bolstered the scheme's funding position.

Funding And Liquidity: Strong Deposit Franchise Underpins Robust Metrics

NatWest has healthy funding and liquidity profiles. These are underpinned by its U.K. retail and corporate deposit franchises (see chart 10). It is also active in wholesale funding markets to support its capital markets business and selected customer assets, and maintain loss-absorbing capacity in line with regulatory requirements.

Chart 10

NatWest's deposit franchise anchors its funding base
Stable funding components of major European banks



Source: Company disclosures.
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Given the bank's deep U.K. corporate franchise, NatWest relies more on wholesale deposit funding than retail focused peers. This is still relatively lower than a U.K. peer like Barclays that funds its investment bank in confidence-sensitive wholesale debt markets, on a short-term secured basis. Therefore, we believe the bank's funding profile is well balanced against its balance sheet profile and its U.K. commercial and retail franchises.

A comfortable deposit surplus enables NatWest to be selective in its use of wholesale funding. NWG's reported loan-to-deposit ratio of 83% at June 30, 2024, is down 1% from Dec. 31, 2023, as the group has continued to accumulate deposits as its loan book shrunk modestly. This metric is notably stronger than the year-end 2019 position of 89%. Its 139% net stable funding ratio at June 30, 2024, illustrated that long-term and less liquid assets are well-supported by long-term funding.

NatWest's regulatory liquidity coverage ratio was a solid 151% at June 30, 2024. The stable deposit base and the group's cautious liquidity portfolio leave its regulatory liquidity coverage ratio in significant surplus. This represents about £55 billion of excess liquidity. It indicates a large stock of high-quality liquid assets that provide capacity to cope with a temporary interruption to wholesale market access. While we anticipate this ratio will decline and normalize somewhat, as long as the bank continues to pursue growth in its deposit book and its lending remains uneven, the ratio is likely to remain elevated in the next couple of years.

Support: Two Notches Of Uplift For Large Additional Loss-Absorption Capacity (ALAC) Buffer

The ratings on NatWest's core operating subsidiaries benefit from two notches of uplift that result from the group's significant ALAC buffer. Our ALAC ratio was 8.2% at year-end 2023, well above the 6% threshold for a two-notch rating uplift. We expect the ALAC ratio will stay near this level. It reported a 31.7% minimum requirement for own funds and eligible liabilities ratio as of June 30, 2024, well above the 22.5% requirement.

We view the U.K. resolution regime as effective. We think it contains a well-defined bail-in process under which authorities would permit nonviable, systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

NWG has high systemic importance in the U.K. This reflects its material market share of retail deposits. Since 2015, we have regarded the prospect of extraordinary government support for U.K. banks as uncertain in view of the country's well-advanced resolution regime. As a result, we do not reflect implicit government support in the ratings on U.K. commercial banks. The government's shareholding is 17% of NatWest as of the end of September and does not affect our view of potential support because the stake is intended to be temporary.

Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of NatWest. Most significantly, its transformation into a simpler group focused on retail and commercial banking is a positive development for its sustainability profile, in our opinion. Through this restructuring, NWG has addressed most legacy conduct and legal issues, but we see ongoing customer remediation charges as largely unavoidable in U.K. financial services, particularly for the larger players. Indeed, U.K. banks are subject to stringent conduct and compliance standards and must keep pace with regulators' and customers' demanding expectations. The Financial Conduct Authority's consumer duty is the latest iteration of this and will require product providers including NatWest to verify that they deliver good outcomes for retail clients. Operational resilience, cyber security, and financial crime are also priorities as digital channels grow.

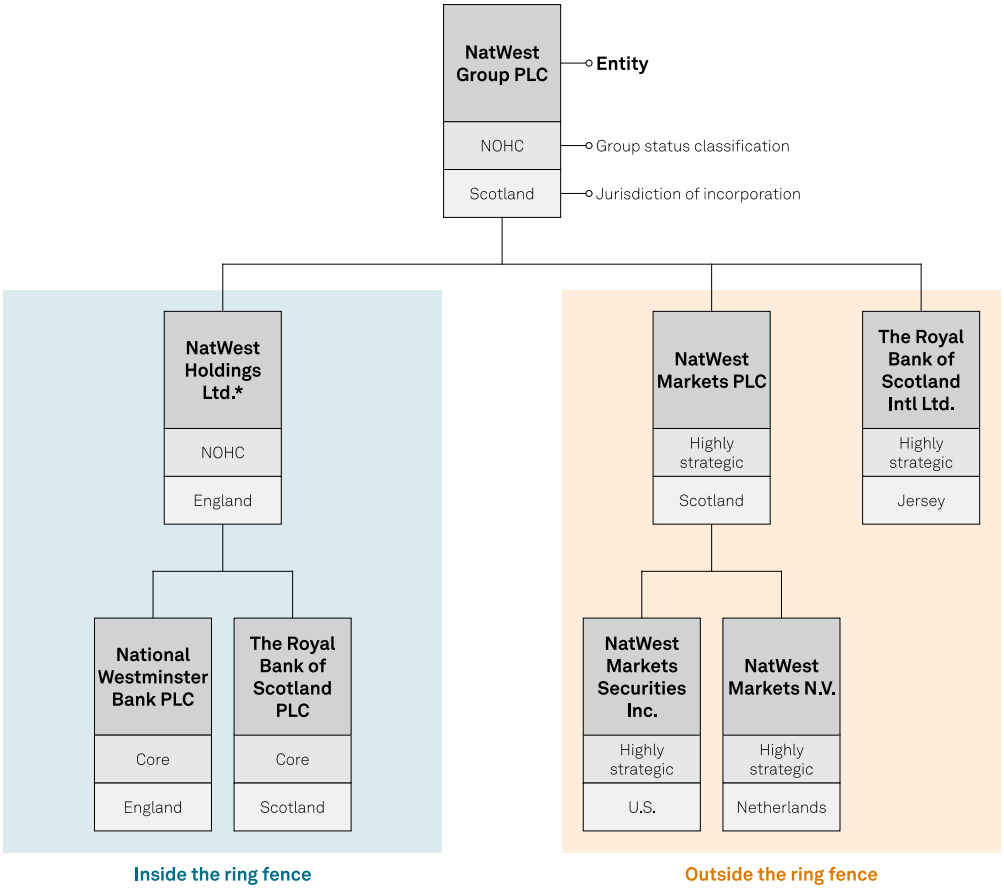
Beyond important sustainability measures to ensure its operational resilience and regulatory compliance, NatWest is taking sustained action to reduce its environmental footprint and has set out commitments to reduce its climate impact further. It intends to achieve net zero by 2050 and at least halve the climate impact of its financing by 2030. On top of this, it targets £100 billion in green financing from mid-2021 to year-end 2025, and delivered a cumulative £78.3 billion by June 30, 2024. While future financing of the U.K.'s energy transition will rely heavily on the direction of government policy, we note positively the bank's proactive commitment to funding energy transition and decarbonization projects in its retail and commercial lending books.

Group Structure, Rated Subsidiaries, And Hybrids

NWG is the nonoperating holding company of the group that it heads (see chart 11).

Chart 11

Highly simplified overview of NatWest's organizational structure and rated legal entities



*Not rated. NOHC--Nonoperating holding company. Sources: NatWest, S&P Global Ratings.
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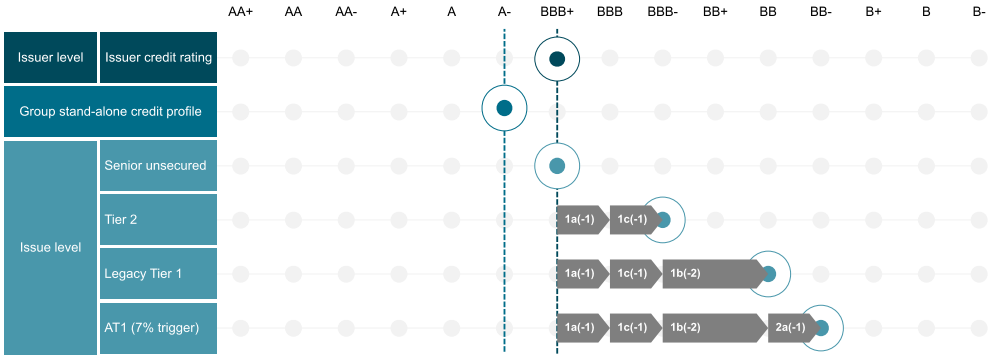
Like its major domestic peers, NatWest has operated under the U.K. ring-fencing regime since 2019. Although ring-fencing incrementally weakens the fungibility of group capital and liquidity resources and adds some ongoing frictional costs, we do not regard it as a materially negative factor for the group's overall creditworthiness.

We view NWG's two U.K. bank subsidiaries within the ring fence as core to the group, and therefore equalize the long-term issuer credit ratings (ICRs) on these entities with the 'a' group credit profile. The long-term ICRs on the nonring-fenced entities are one notch lower because we see these subsidiaries as slightly less integral to the group.

We rate NatWest's hybrid debt instruments according to their respective features (see chart 12).

Chart 12

Name: NOHC notching



Key to notching

---- Issuer credit rating

----- Group stand-alone credit profile

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

2a Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

2b Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteriato reflect structural subordination (see "Group Rating Methodology," published July 1, 2019).
AT1--Additional Tier 1.

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Resolution Counterparty Ratings (RCRs)

We have assigned RCRs to NatWest's rated operating entities except The Royal Bank of Scotland International Ltd., which is incorporated in a jurisdiction where we have not assessed the effectiveness of the resolution regime. The assigned long-term RCRs are one notch above the respective long-term ICRs, except in the case of NatWest Markets Securities Inc. For that entity, the long-term RCR is in line with the long-term ICR, consistent with our U.S. jurisdiction assessment.

Key Statistics

Table 1

NatWest Group PLC--Key figures

	--Year ended Dec. 31--				
(Mil. £)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	682,748	685,059	712,937	775,269	792,836
Customer loans (gross)	365,706	367,864	364,142	350,295	362,090
Adjusted common equity	24,600	24,675	25,439	28,176	28,751
Operating revenue	7,135	14,777	13,295	10,565	10,772
Noninterest expense	3,956	7,641	7,302	7,292	7,473
Core earnings	2,177	4,766	3,926	3,100	N/A

*Data as of June 30. N/A--Not applicable.

Table 2

NatWest Group PLC--Business position

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Total revenue from business line (mil. £)	7,146	14,780	13,337	11,083	10,965
Commercial banking/total revenue from business line	53.2	50.2	48.1	35.0	36.1
Retail banking/total revenue from business line	43.9	40.1	42.3	42.2	42.8
Trading and sales income/total revenue from business line	0.0	0.0	0.0	3.7	10.2
Asset management/total revenue from business line	N/A	6.7	7.9	7.4	7.0
Other revenue/total revenue from business line	3.0	3.0	1.7	11.8	3.9
Investment banking/total revenue from business line	0.0	0.0	0.0	3.7	10.2
Return on average common equity	11.9	12.6	8.8	6.9	-2.9

*Data as of June 30. N/A--Not applicable.

Table 3

NatWest Group PLC--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	16.2	15.5	16.4	21.0	21.9
S&P Global Ratings' RAC ratio before diversification	N/A	8.8	9.1	10.5	10.7
S&P Global Ratings' RAC ratio after diversification	N/A	9.6	9.8	11.5	11.7
Adjusted common equity/total adjusted capital	84.0	86.4	86.8	86.6	84.0
Net interest income/operating revenue	75.8	74.8	74.0	71.3	68.6
Fee income/operating revenue	17.1	15.8	17.2	20.1	18.4
Market-sensitive income/operating revenue	4.4	4.8	6.6	4.3	11.3
Cost-to-income ratio	55.4	51.7	54.9	69.0	69.4
Preprovision operating income/average assets	0.9	1.0	0.8	0.4	0.4
Core earnings/average managed assets	0.6	0.7	0.5	0.4	N/A

*Data as of June 30. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

NatWest Group PLC--Risk-adjusted capital framework data

(Mil. £)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government and central banks	135,221	2,428	1.8	1,184	1
Of which regional governments and local authorities	201	4	1.9	7	4
Institutions and CCPs	20,838	6,741	32.3	4,947	24
Corporate	166,655	73,176	43.9	140,395	84
Retail	263,607	60,170	22.8	122,998	47
Of which mortgage	216,326	39,794	18.4	79,036	37
Securitization§	21,943	3,660	16.7	4,716	21
Other assets†	7,655	5,336	69.7	10,734	140
Total credit risk	615,919	151,510	24.6	284,975	46

Table 4

NatWest Group PLC--Risk-adjusted capital framework data (cont.)

(Mil. £)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit valuation adjustment					
Total credit valuation adjustment	--	1,042	--	3,172	--
Market risk					
Equity in the banking book	812	2,876	354.2	1,451	179
Trading book market risk	--	7,363	--	10,091	--
Total market risk	--	10,240	--	11,542	--
Operational risk					
Total operational risk	--	20,198	--	25,604	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	182,989	--	325,293	100
Total diversification/ concentration adjustments	--	--	--	(27,096)	(8)
RWA after diversification	--	182,989	--	298,197	92
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio		S&P Global Ratings RWA	S&P Global Ratings RWA	S&P Global Ratings RWA	S&P Global Ratings RWA
Capital ratio before adjustments		28,315	15.5	28,550	8.8
Capital ratio after adjustments‡		28,315	15.5	28,550	9.6

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31 2023, S&P Global Ratings.

Table 5

NatWest Group PLC--Risk position

(%)	--Year ended Dec. 31--				
	2024*	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	(1.2)	1.0	4.0	(3.3)	5.7
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(8.3)	(7.3)	(8.4)	(9.0)
Total managed assets/adjusted common equity (x)	28.1	28.1	28.3	27.8	27.8
New loan loss provisions/average customer loans	0.0	0.2	0.1	(0.3)	0.9
Net charge-offs/average customer loans	0.2	0.1	0.1	0.2	0.3
Gross nonperforming assets/customer loans + other real estate owned	1.8	1.7	1.6	1.7	1.9
Loan loss reserves/gross nonperforming assets	52.0	59.4	59.7	65.3	91.7

*Data as of June 30. RWA--Risk-weighted assets. N/A--Not applicable.

Table 6

NatWest Group PLC--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	76.3	76.7	79.1	76.9	77.5
Customer loans (net)/customer deposits	82.2	83.4	78.5	71.5	78.8
Long-term funding ratio	86.7	86.0	88.6	86.0	87.0
Stable funding ratio	119.3	117.8	127.5	138.6	131.3
Short-term wholesale funding/funding base	14.0	14.8	11.9	14.8	13.8
Regulatory net stable funding ratio	139.0	138.0	145.0	157.0	N/A
Broad liquid assets/short-term wholesale funding (x)	2.2	2.1	2.8	2.8	2.8
Broad liquid assets/total assets	26.1	25.3	27.2	33.6	27.8
Broad liquid assets/customer deposits	40.8	40.1	42.6	54.3	49.2
Net broad liquid assets/short-term customer deposits	23.2	21.4	28.2	35.5	33.0
Regulatory liquidity coverage ratio (LCR) (%)	151.0	141.0	145.0	172.0	N/A
Short-term wholesale funding/total wholesale funding	57.3	61.7	55.5	62.2	59.0

*Data as of June 30. N/A--Not applicable.

NatWest Group PLC--Rating component scores

Issuer credit rating	**A+/Stable/A-1**
SACP	a-
Anchor	bbb+
Economic risk	4
Industry risk	3
Business position	Strong
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- NatWest Markets PLC, Sept. 20, 2024
- National Westminster Bank PLC, Sept. 20, 2024
- U.K. Banks Are Well Positioned For Sustained Strong Performance After First-Half Results, Aug. 8, 2024
- U.K. Economic Outlook Q3 2024: A Cooling Labor Market Paves The Way For Rate Cuts, June 24, 2024
- Six Takeaways From U.K. Banks' Full-Year 2023 Results, March 6, 2024
- U.K. Banks Credit Outlook 2024: Earnings Stay Solid As Margins Ease, Jan. 4, 2024
- Banking Industry Country Risk Assessment: United Kingdom, Nov. 28, 2023

Ratings Detail (As Of October 7, 2024)*	
NatWest Group PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Foreign Currency	A-2
Junior Subordinated	BB+
Junior Subordinated	BB-
Preference Stock	BB
Senior Unsecured	A
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
12-Apr-2023	BBB+/Stable/A-2
24-Jun-2021	BBB/Stable/A-2
23-Apr-2020	BBB/Negative/A-2
Sovereign Rating	
United Kingdom	AA/Stable/A-1+
Related Entities	
National Westminster Bank PLC	
Issuer Credit Rating	A+/Stable/A-1

Ratings Detail (As Of October 7, 2024)*(cont.)	
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
Local Currency	A-1
Junior Subordinated	BB+
Junior Subordinated	BBB-
Preference Stock	BB+
NatWest Bank Europe GmbH	
Issuer Credit Rating	A+/Stable/A-1
NatWest Markets N.V.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured	A
Senior Unsecured	A-1
Subordinated	BBB-
NatWest Markets PLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Junior Subordinated	BB+
Resolution Counterparty Liability	A+
Senior Unsecured	A
Senior Unsecured	A-1
Short-Term Debt	A-1
NatWest Markets Securities Inc.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A/--/A-1
Senior Unsecured	A
Royal Bank of Scotland International Ltd.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Foreign Currency	A-1
Royal Bank of Scotland PLC (The)	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Ankit Jalan, Pune; ankit_jalan@spglobal.com

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