

# NatWest Group plc

# Investor Factbook

Annual Results 2021



## We have clear financial targets:

### RoTE

Upgraded RoTE target: comfortably above 10% for the Group in 2023

### Income<sup>1,2</sup>

New income target: above £11bn in 2022

### Costs<sup>1,3</sup>

Continued strong cost reduction: ~3% in both 2022 and 2023

### Capital

Reiterate CET1 ratio of 13-14% by 2023, ~14% by end 2022

1. Go-forward group excludes Ulster Bank ROI.

2. Income excluding notable items.

3. Go-forward group other operating expenses defined as Total of expenses less litigation and conduct.



## FY'21 results highlights

Strong 2021 performance and attractive shareholder distributions

- Supported our customers through the recovery with £7.8bn net lending growth<sup>2</sup>
- Delivering against our targets to drive sustainable returns for shareholders
- Final dividend of 7.5p per share and announcing a further £750m on-market buyback, bringing total announced distributions for FY'21 to £3.8bn

### FY'21 performance<sup>1</sup>

**£4.3bn**

Operating profit before tax in FY'21, vs. £0.4bn loss in FY'20

**£3.0bn**

Attributable profit in FY'21, vs. £0.8bn loss in FY'20

**9.4%**

Return on Tangible Equity in FY'21, vs. (2.4%) in FY'20

### Delivering on growth, cost reduction and capital

**2.6%**

Net Lending Growth<sup>2</sup> up £7.8bn on FY'20

**4.0%**

Cost reduction<sup>3</sup> of £256m in FY'21 vs. FY'20

**18.2%**

CET1 Capital Ratio 15.9% proforma 1st Jan 2022<sup>4</sup>

### £3.8bn shareholder distributions announced for FY'21

**£1.2bn**

FY'21 Dividend £0.8bn final dividend to be paid in H1'22

**£1.5bn**

On-market buy-backs £750m executed, announcing a further £750m

**£1.1bn**

Directed buy-back in Mar'21

1. Including discontinued operations.

2. Net lending to customers across the UK and RBSI retail and commercial businesses, excluding UK Government lending schemes.

3. Other expenses, excluding OLD and Ulster Bank RoI direct costs.

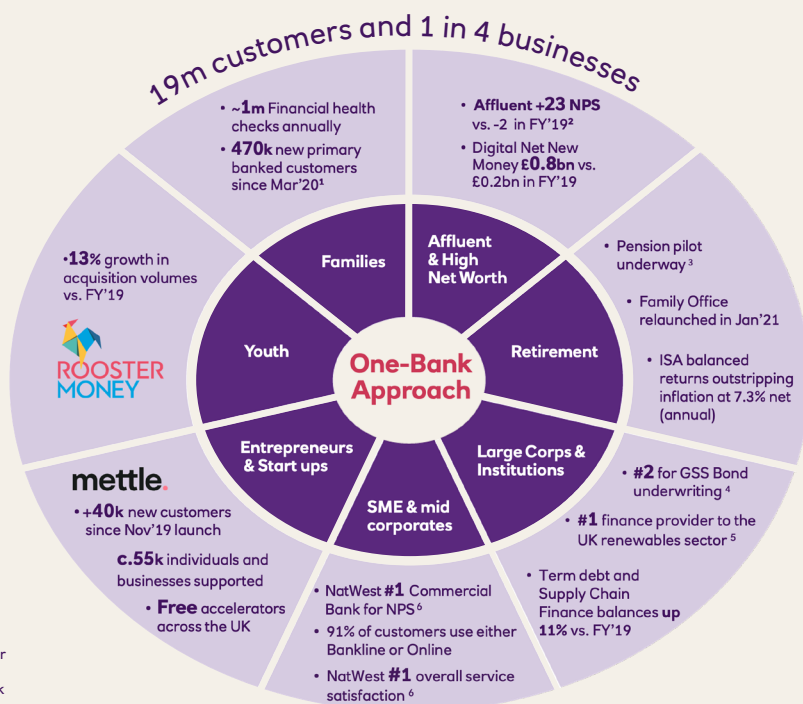
4. CET1 ratio after £3.8bn announced distributions. 15.9% proforma for regulatory impacts on 1st January 2022.

The guidance, targets, expectations and trends discussed in this document represent NatWest Group management's, current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 406-426 of the NatWest Group plc 2021 Annual Report and Accounts, as well as the Risk Factors on pages 179-200 of the NWM 2021 Annual Report and Accounts, respectively. These statements constitute forward-looking statements.

# Sustainable growth with an intelligent approach to risk

Supporting customers at every stage of their lives, positive momentum since 2019

- Evolving our proposition to develop new relationships earlier in the lifecycle
- Anticipating customer needs with personal, data driven analytics to deepen relationships
- One-Bank approach with Centres of Expertise leveraging capabilities across the Group.



1. Time when data point was started being tracked. 2. NatWest Premier. As at Dec'21, vs -2 in Dec'19. 3. NatWest and Royal Bank Invest Pension products. 4. No 2 for UK issuers and GBP Green Bond issuance in FY'21. Source: Dealogic. 5. Information Deals (Acuris), based on number of transactions. 6. MarketVue Business Banking from Savanta, Q4 2021 data, compared with customers of other banks with a turnover of £2m+ in England and Wales. NatWest's main-bank NPS is 22 (n=539); 72% rate overall quality of service as 'excellent'/'very good' (n=542).

## Supporting our customers on the climate transition

2021 Highlights:

- Net Zero – by 2050 including financed emissions, target announced
- Completed our 2020-21 £20bn CSFF<sup>1</sup> target 6 months early, recording £21.5bn by H1'21
- £8.1bn – contribution towards our new £100bn target in H2'21
- 52% – gross lending and investment balances from FY'19 analysed for emissions
- 46% – reduction in our direct own operational carbon footprint, vs 2019 baseline.

1. Climate and Sustainable Funding and Financing. 2. For all sectors, via Dealogic. 3. <https://natwestbusinesshub.com/articles/springboard-to-sustainability-160bn-opportunity-for-smes-tackling-climate-change> 4. Retail Banking only, mortgages labelled "green" premised on EPC A or B energy efficiency ratings of homes. 5. Equity investments vs FY'2019, based on preliminary data.

### Corps. & Institutions

#2 – globally for GBP GSS Bond underwriting<sup>2</sup>

**Green** lending with dynamic pricing for C&I's

**Comprehensive** climate-linked product suite

**Carbonplace** – our part in a global consortium to price carbon credits

### SMEs to Mid. Corps.

£160bn-plus – the SME revenue opportunity<sup>3</sup>

40% – of Accelerator Hubs allocated to sustainable businesses

**Green** loans to SMEs, one of the first to market

**Climate-trained**, dedicated sector relationship managers

### Consumers

£728m – green Mortgages<sup>4</sup> completed

38% – reduction in Coutts carbon intensity<sup>5</sup>

**Cogo** – tracking carbon footprints

**Climate Change Hub** educating customers about sustainability

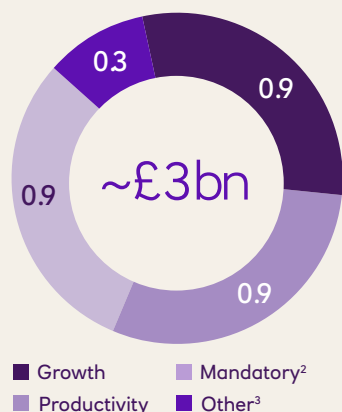
# £100bn

Additional CSFF between 1 July 2021 and the end of 2025

# ~£3bn

Investment spend<sup>1</sup> FY'21 – FY'23

c.80% (~£2.4bn) relates to Digital and Technology programmes



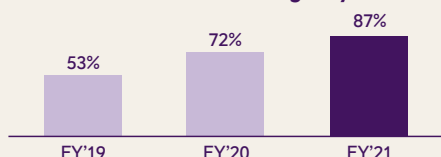
1. Denotes cash investment spend, the related income statement expense is included in Other expenses.

2. Mandatory remediation and resilience spend.

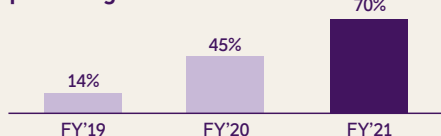
3. Control / resilience / enablers.

We are meeting our customer needs digitally and improving the quality and speed of our digital interactions from product led to engagement led

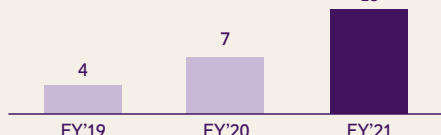
### Retail customer needs met digitally



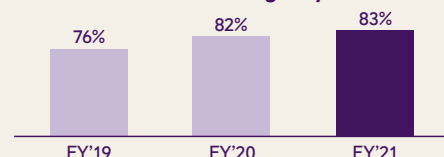
### Retail account opening – straight through processing



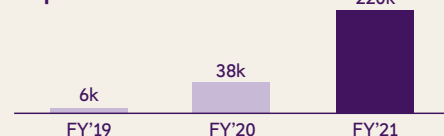
### Retail NPS<sup>1</sup>



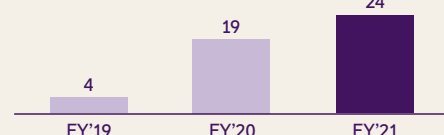
### Commercial customers digitally active<sup>2</sup>



### Commercial – volume of digital service requests via Bankline



### Commercial – Bankline NPS<sup>3</sup>



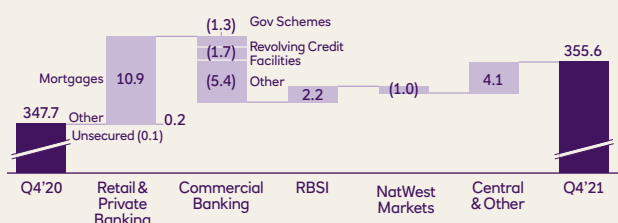
1. Strategic NPS benchmarking study run through InMoment. 2. Reporting amended in Dec'20 to more accurately reflect adoption across customers with multiple business entities, and to incorporate those customers who retained with NatWest following completion of State Aid Remedy Business Banking switching scheme. 3. Bankline NPS survey from Maritz platform.

# FY'21 Key Financials

Group, FY'21 £bn	Retail Banking	Private Banking	Commercial Banking	RBS International	NatWest Markets	Commercial & Institutional	Central items & other	Go-forward Group	Ulster Bank Rol (continuing & discontinued) <sup>2</sup>	Group incl. discontinued ops) <sup>1</sup>
Net interest income	4.1	0.5	2.6	0.4	0.0	3.0	(0.0)	7.5	0.4	7.9
Non-interest income	0.4	0.3	1.3	0.2	0.4	1.9	0.2	2.8	0.1	2.9
<b>Total income</b>	<b>4.4</b>	<b>0.8</b>	<b>3.9</b>	<b>0.5</b>	<b>0.4</b>	<b>4.8</b>	<b>0.2</b>	<b>10.3</b>	<b>0.5</b>	<b>10.8</b>
Income ex-notable items	4.4	0.8	3.9	0.5	0.5	4.9	(0.0)	10.1	0.5	10.5
Other operating expenses	(2.4)	(0.5)	(2.2)	(0.2)	(1.2)	(3.6)	(0.2)	(6.8)	(0.5)	(7.4)
Litigation and conduct	(0.1)	0.0	(0.1)	(0.0)	--	(0.1)	(0.2)	(0.4)	--	(0.4)
<b>Operating expenses</b>	<b>(2.5)</b>	<b>(0.5)</b>	<b>(2.4)</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>(3.8)</b>	<b>(0.5)</b>	<b>(7.3)</b>	<b>(0.5)</b>	<b>(7.8)</b>
Operating profit/(loss) before impairment releases/(losses)	1.9	0.3	1.5	0.3	(0.7)	1.1	(0.3)	3.0	(0.0)	3.0
Impairment releases/(losses)	0.0	0.1	1.1	0.1	0.0	1.2	--	1.3	0.1	1.3
<b>Operating profit/(loss)</b>	<b>2.0</b>	<b>0.4</b>	<b>2.6</b>	<b>0.4</b>	<b>(0.7)</b>	<b>2.2</b>	<b>(0.3)</b>	<b>4.3</b>	<b>0.1</b>	<b>4.3</b>
Net loans to customers – amortised cost	182.2	18.4	101.2	15.5	7.5	124.2	27.5	352.3	15.6	367.9
Customer Deposits	188.9	39.3	177.7	37.5	2.3	217.5	15.7	461.4	18.4	479.8
RWA's	36.7	11.3	66.4	7.5	24.2	98.1	1.8	147.9	9.1	157.0
Return on equity / tangible equity	26.1%	17.0%	22.0%	22.5%	(13.1%)		n.m.	10.0%	nm	9.4%
Cost: income ratio	56.5%	63.7%	59.3%	44.2%	279.8%		n.m.	70.3%	nm	73.4%

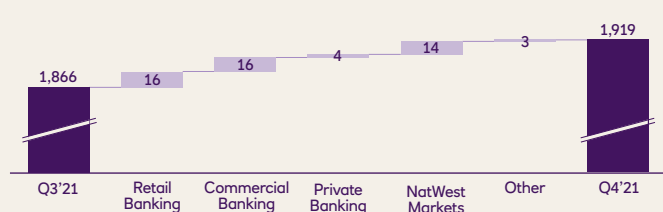
1. May not cast due to rounding. 2. Totals per slide 37 of the 2021 Annual Results Presentation. We are creating a new franchise, Commercial & Institutional, bringing together our Commercial, NatWest Markets and RBS International businesses to form a single franchise, with common objectives, to best support our customers across the full non-personal customer lifecycle. From Q1'22, our reporting will follow this new structure. Ahead of Q1'22 we will publish a restatement document including segmentation detail of the Commercial & Institutional franchise.

## Go-forward gross customer loans<sup>1</sup>, year on year, £bn



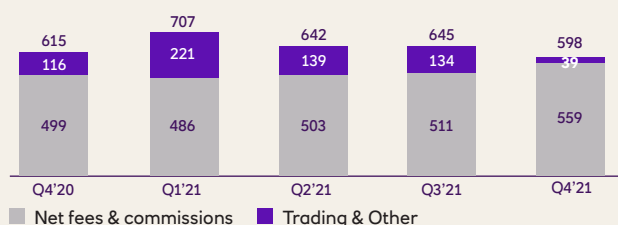
Net mortgage growth of £10.9 billion for the full year includes a record £36 billion of gross new lending in Retail Banking, increasing stock share to 11.0%. Commercial de-leveraging ongoing.

## Go-forward Net Interest Income<sup>1,2</sup>, £m



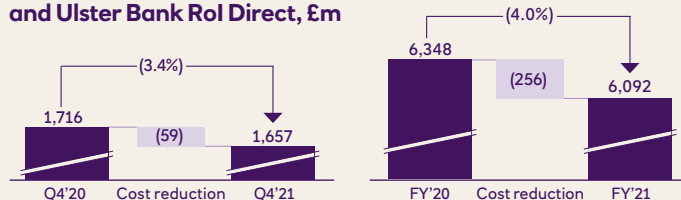
Net interest income was up 3% in the quarter driven by higher volumes and high yield curve. Bank NIM improved by 3bps to 2.38%, reflecting higher yield curve, higher unsecured balances partly offset by lower mortgage margins. We expect Bank NIM to increase over 2022.

## Go-forward Non Interest Income<sup>1,3</sup>, £m



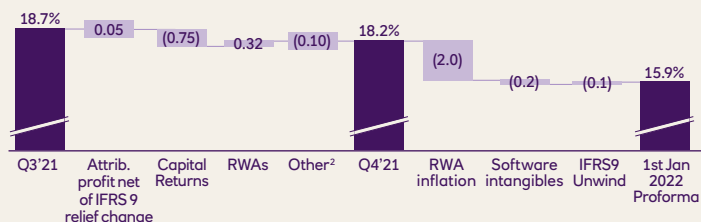
Non-interest income benefited from ongoing recovery in fees and commissions offset by lower trading income. NatWest Markets income<sup>3</sup> down £71m over Q4'21 due to weak Fixed Income performance.

## Other expenses ex Operating Lease Depreciation and Ulster Bank Rol Direct, £m



Delivered 4% cost reduction for FY'21 in line with target.

## CET1 ratio, (%)<sup>2</sup>



## Actively managing capital for growth and risk management

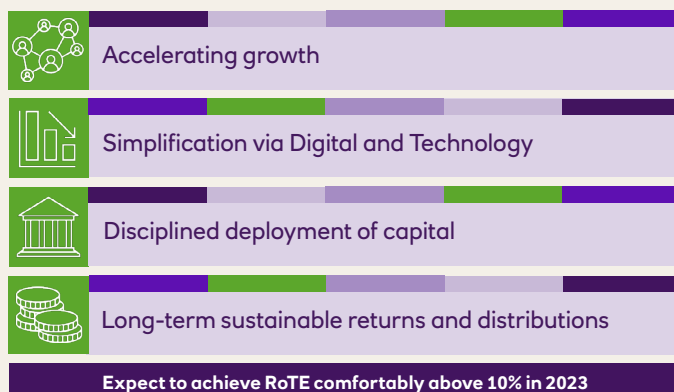
- A well-diversified loan book with good track record on risk diversification
- NatWest Markets refocusing is now largely complete
- Ulster Bank ROI withdrawal process underway with around 60% of loans agreed for sale. Expect the majority of AIB and Permanent TSB asset sales to be largely complete by the end of 2022<sup>4</sup> and the withdrawal to be capital accretive.

1. Go-forward = NWG excluding Ulster Bank ROI. 2. May not cast due to rounding. 3. Excluding relevant notable items per slide 35 of the 2021 Annual Results presentation. 4. Subject to satisfaction of conditions precedent.

## Future priorities for surplus capital

- Dividends:** We intend to maintain ordinary dividends of around 40% of attributable profit with a minimum of £1bn per annum from 2022 to 2023 via a combination of ordinary and special dividends
- Direct buy-back:** We maintain capacity to participate in directed buybacks of the UK Government stake, limited to 4.99% of issued share capital in any 12 month period
- On-market buy-back:** We will consider further on-market buybacks as part of our overall capital distribution approach
- Inorganic opportunities:** Considered if they provide compelling shareholder value and strategic rationale.

## Our investment case



# Robust balance sheet with strong capital & liquidity levels

CET1 headroom above medium term target <sup>1,2</sup>

190-290bps

c.£3.3.bn – 5.1bn of headroom in 1st January 2022

Headroom above minimum UK leverage requirements

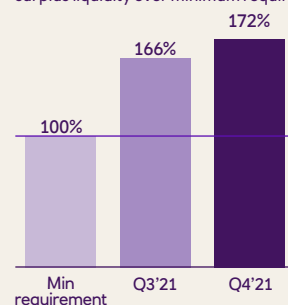
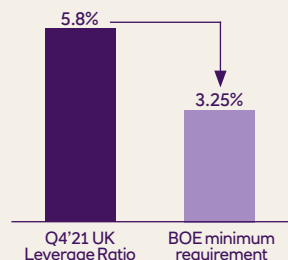
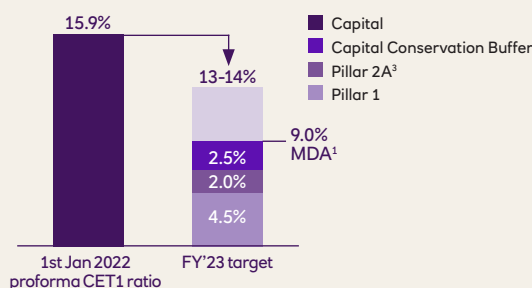
255bps

headroom above minimum requirements

Liquidity coverage ratio remains well above min UK requirement

£89.9bn

surplus liquidity over minimum requirement



1. Refer to detailed disclosure in FY'21 NWG ARA. Headroom presented on the basis of target CET1, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future.  
2. Based on assumption of static regulatory capital requirements. 3. NatWest Group plc's Pillar 2A requirements are set on a nominal capital basis which results in an implied 9.0% MDA. 56.25% of the total Pillar 2A requirement must be met from CET1 capital. Pillar 2A requirement is expected to vary over time and is subject to at least annual review.

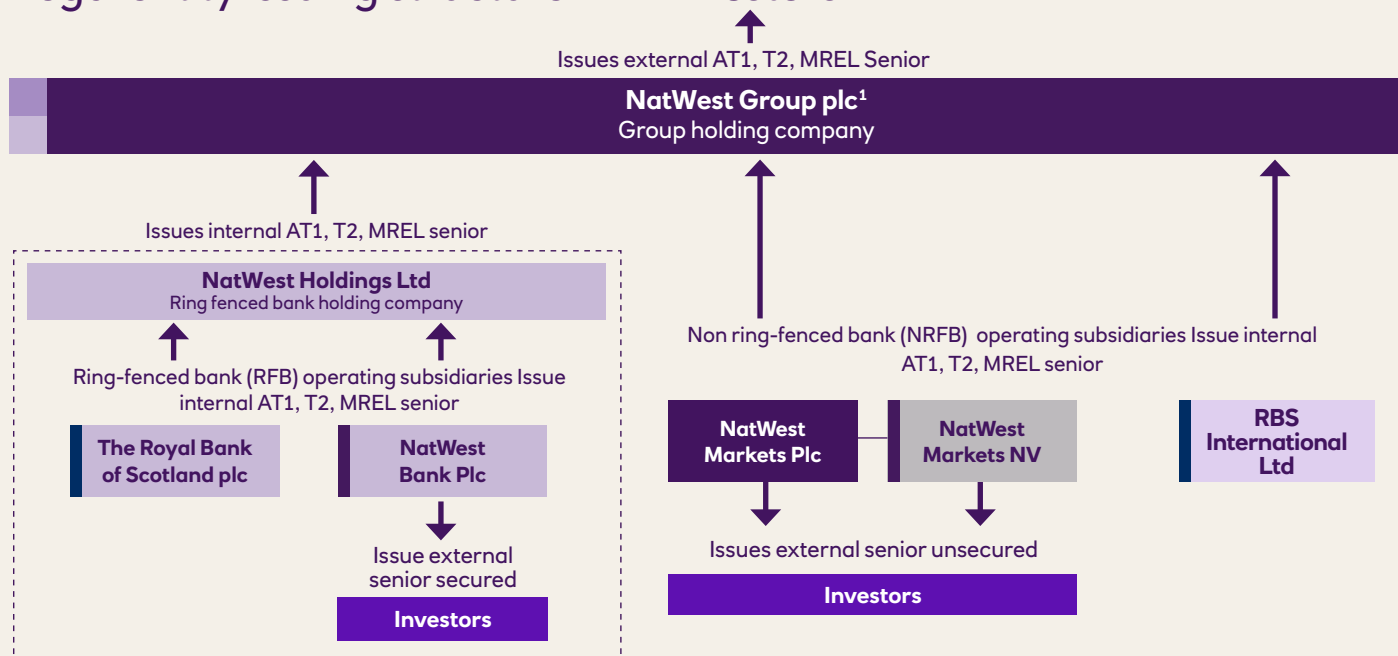
## Credit ratings<sup>1</sup>

	Moody's	S&P	Fitch
<b>Group holding company</b>			
NatWest Group plc	Baa1/Pos	BBB/Sta	A/Sta
<b>Ring-fenced bank operating companies</b>			
NatWest Bank Plc	A1*/A1/Sta	A/Sta	A+/Sta
Royal Bank of Scotland plc	A1*/A1/Sta	A/Sta	A+/Sta
Ulster Bank Ireland DAC	A3*/Baa1/RuR	A-/Sta	BBB+/Sta
<b>Non ring-fenced bank operating companies</b>			
NatWest Markets Plc	A2/Pos	A-/Sta	A+/Sta
NatWest Markets N.V.	A2/Pos	A-/Sta	A+/Sta
NatWest Markets Securities Inc	NR	A-/Sta	A/Sta
RBSI Ltd	A3/Sta	A-/Sta	A/Sta

1. Ratings as of 18/02/2022. \*Moody's Long-Term Bank Deposit Ratings.

## Legal entity issuing structure

## Investors



## ESG Ratings and Benchmarks<sup>1</sup>

ESG Rating	Scale:	2019:	2020:	Feb 2022
MSCI	AAA to CCC	BBB	▲ AA	AA
Sustainalytics Risk Rating	1-100 Negligible to Severe	27.7 Medium risk	▲ 20.5 Medium risk	▲ 17.3 Low risk

1. ESG ratings on this page (i) contain information developed by the relevant rating provider (such information and data are proprietary of the relevant rating provider or its information providers (Third Party Data)); (ii) are provided "as-is" and are not warranted to be complete, timely, accurate or suitable for a particular purpose by the relevant rating provider are provided for information purposes only; (iii) are unsolicited; (iv) do not constitute a sponsorship, endorsement, recommendation or promotion of NatWest Group or any of NatWest Group's product or project, nor an investment advice nor a warranty by the relevant rating provider; and (v) their use is subject to conditions of the relevant rating provider. Currently, ESG rating providers are not regulated like credit rating agencies. Some ESG ratings providers only rely on public information, so, their outputs may be subject to data gaps. ESG rating providers use different definitions, scope and methodologies leading to variation in ESG rating for any given company. Ratings as of 18/02/2022.