

Natwest Group plc

Investor Factbook

Q1 2021



NatWest Group is a relationship bank for a digital world

Our Strategy

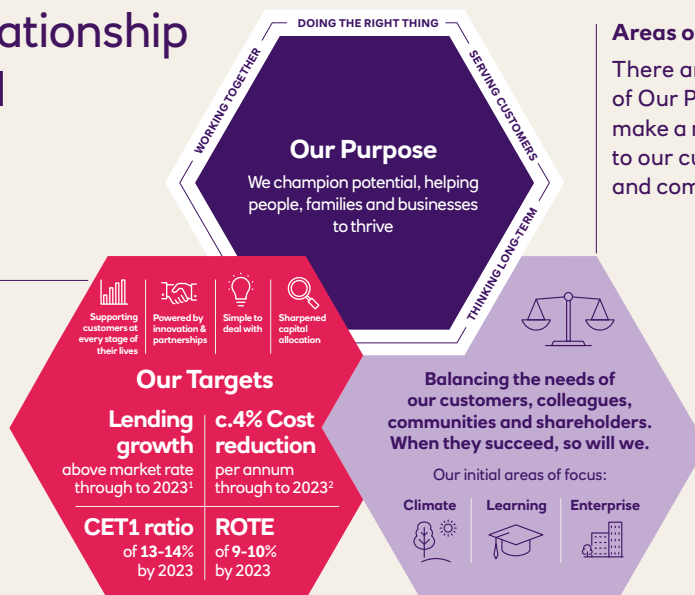
Our strategy is to deliver on Our Purpose and drive sustainable returns to shareholders through four strategic priorities.

Priorities delivered through:

- Sustainable growth with an intelligent approach to risk
- Simplification and cost efficiency
- Portfolio discipline and effective deployment of capital

1. Comprises customer loans in our UK and RBS International retail and commercial businesses.

2. Total expenses excluding litigation and conduct costs, strategic costs, operating lease depreciation and the impact of the phased withdrawal from the Republic of Ireland.



Areas of Focus

There are three focus areas of Our Purpose where we can make a meaningful contribution to our customers, colleagues and communities.

Q1'21 Results Highlights

- Good Q1'21 operating performance
- Supporting our customers; strong net lending growth
- Further cost reduction achieved in Q1
- Impairments: small release reflects good book releases and government support mitigating level of defaults
- Strong capital base and liquidity position
- £1.1bn directed buy back completed

£844m

Operating profit before impairments in Q1'21, down from £1,321m in Q1'20

£102m

Impairment release in Q1'21 11bps of customer loans

£620m

Attributable profit in Q1'21, compared to £288m at Q1'20

£2.2bn

Net Lending Growth in Q1'21 up 3% on Q4'20 on an annualised basis¹

£72m

Cost reduction in Q1'21² vs. Q1'20

18.2%

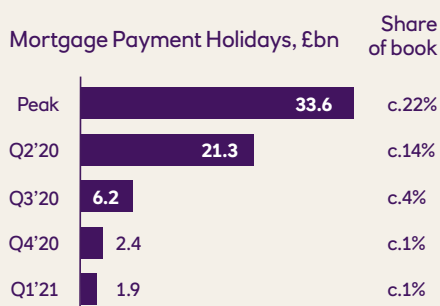
Q1'21 CET1 Capital Ratio
Down 30bps on Q4'20
Includes c.100bps of IFRS 9 transitional relief

1. Net lending to customers across the UK and RBSI retail and commercial businesses, excluding UK Government lending schemes. 2. Other expenses, excluding OLD and Ulster Bank Rol direct costs.

Supporting our customers through the recovery

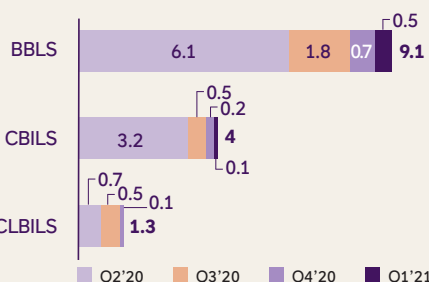
- Debit and credit card spending improving from February
- Demand for personal loans and new credit cards accelerating over Q1
- Strong and improving gross new mortgage lending
- New Government schemes launched: Pay as You Grow (BBLs) and Recovery Loan Scheme

Retail Banking Payment Holidays

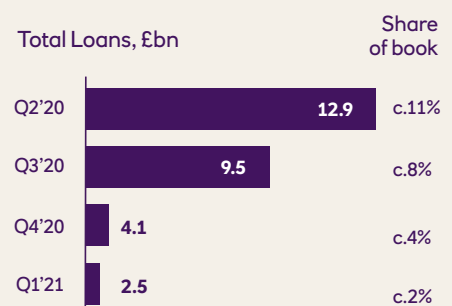


Commercial Banking Activity

Approved value of c.£14.4bn under government schemes, NatWest Group's share of the total lending c.19%¹



Commercial Payment Holidays



1. Of approved schemes, according to Data per HM Treasury available on 21st March 2021.

The guidance, targets, expectations and trends discussed in this document represent NatWest Group (and where applicable NWM Group) management's, current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 345-362 of the NatWest Group plc 2020 Annual Report and Accounts, as well as the Risk Factors on pages 156-172 of the NWM 2020 Annual Report and Accounts, respectively. These statements constitute forward-looking statements.

Accelerating digital transformation to deliver income growth and drive cost efficiencies

We are a relationship bank for a digital world with high levels of digital engagement

The pandemic has significantly increased the pace of digital adoption, providing the platform for income growth across all channels.

61%¹ of retail customer base exclusively use digital channels to interact with us, compared to 58% at FY'20²

68%³ of Commercial Banking sales via digital channels in Q1'21 compared to 67%⁴ at FY'20

Cost reduction continued in Q1'21.

1. Based on March'21 monthly data.

2. Based on December'20 monthly data.

3. Across Retail Banking.

4. Across Retail and Business Banking.

5. Across Retail and Commercial Banking.

6. Based on average yearly data.

Video Banking

c.13k

Typical weekly appointments in Q1'21 compared to c.7k typical weekly appointments Q4'20³

Artificial Intelligence

3.0m

Cora Conversations in Q1'21 up 11% on Q4'20⁵

42% required no human intervention in Q1'21³

Mobile

7.9m

Active Mobile Users in Q1'21 up 2.6% on Q4'20⁴

Online

9.5m

Digitally Active Customers in Q1'21 up 1% on Q4'20⁴

We're targeting over

300m

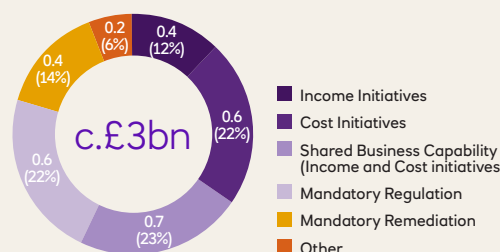
of gross savings through customer journey reengineering by 2023

Simplification and cost efficiency

Investment spend¹, FY'21-FY'23

Investment increasingly focused on delivering income and cost benefits

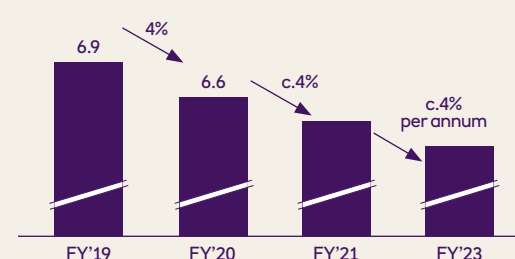
We have created the Chief Transformation Office to manage investment across the group, build key capabilities to simplify the bank, improve customer experiences and drive cost efficiencies.



- We will invest £3bn over the next three years to support the One Bank strategy
- Includes the digitisation of key Customer Journeys, investment in data, cloud, and analytics to deliver One Bank technology.
- c.80% of investment relates to Digital and Technology programmes

We intend to reduce strategic costs further in 2021 to around £0.8bn with continued reduction through to 2023.

Other expenses², £bn



- Higher quality investment spend drives greater cost benefits and supports ongoing cost reduction.
- Stable annual investment spend becomes greater proportion of underlying cost base

Target: Reduce other expenses, excluding OLD, by around 4% per annum in through to 2023²

Q1 2021 key financials

Results by business

	Retail Banking	Private Banking	Commercial Banking	RBS International	NatWest Markets	Ulster Bank Rol	Central items & other ⁽¹⁾	Total NatWest Group
Income statement	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Net interest income	973	115	643	89	(7)	94	24	1,931
Non-interest income	83	70	298	34	194	30	17	726
Own credit adjustments	-	-	-	-	2	-	-	2
Total income	1,056	185	941	123	189	124	41	2,659
Other Expenses	(557)	(122)	(548)	(52)	(240)	(115)	(5)	(1,639)
Strategic costs	(28)	(4)	(35)	(5)	(35)	(1)	(52)	(160)
Litigation and conduct costs	(2)	5	-	-	-	(9)	(10)	(16)
Operating expenses	(587)	(121)	(583)	(57)	(275)	(125)	(67)	(1,815)
Operating profit/(loss) before impairment (losses) releases	469	64	358	66	(86)	(1)	(26)	844
Impairment (losses)/releases	(34)	-	117	2	6	12	(1)	102
Operating profit/(loss)	435	64	475	68	(80)	11	(27)	946
Return on equity ⁽²⁾	23.0%	12.4%	14.9%	17.5%	(6.3%)	2.5%	nm	7.9%
Cost:income ratio ⁽³⁾	55.6%	65.4%	60.5%	46.3%	145.5%	100.8%	nm	67.8%
Net loans to customers – amortised cost (£bn)	174.8	17.5	106.6	14.7	7.5	16.9	20.7	358.7
Loan impairment rate	0.08%	0.00%	(0.43%)	(0.05%)	nm	(0.27%)	nm	(0.11%)
Risk-weighted assets (RWAs) (£bn) ⁽⁴⁾	35.0	11.2	71.6	7.7	26.5	11.1	1.6	164.7

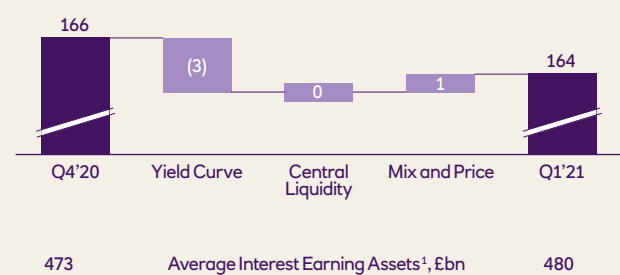
(1) Central items & other includes unallocated transactions, including volatile items under IFRS, items related to Alawwal bank merger (2019 only) and US RMBS related items.

(2) NatWest Group's CET1 target is 13% – 14% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit or loss adjusted for preference share dividends and tax, is divided by average notional tangible equity allocated at different rates of 14.5% (Retail Banking – 15% prior to Q1 2020), 12.5% (Private Banking – 13% prior to Q1 2020 and 13.5% prior to Q1 2019), 11.5% (Commercial Banking – 12% prior to Q1 2020), 16% (RBS International), 15% (NatWest Markets) and 15.5% (Ulster Bank Rol – 15% prior to Q1 2020 and 14% prior to Q1 2019), of the period average of segmental risk-weighted assets equivalents (RWAs) incorporating the effect of capital deductions. NatWest Group return on equity is calculated using profit for the period attributable to ordinary shareholders.

(3) Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation. (Q1 2021 – £35 million; year ended 31 December 2020 – £145 million; Q4 2020 – £35 million; Q3 2020 – £37 million; Q2 2020 – £37 million; Q1 2020 – £36 million; year ended 31 December 2019 – £138 million; Q4 2019 – £35 million; Q3 2019 – £35 million; Q2 2019 – £34 million and Q1 2019 – £34 million).

(4) The UK ring-fencing legislation required the separation of essential banking services from investment banking services from 1 January 2019. From Q1 2019, following the transfer of Treasury Services to the ring-fenced bank, the residual RWAs in Central items & other relating to market risk and counterparty risk were allocated to ring-fence bank franchisees.

Bank Net Interest Margin¹ bps

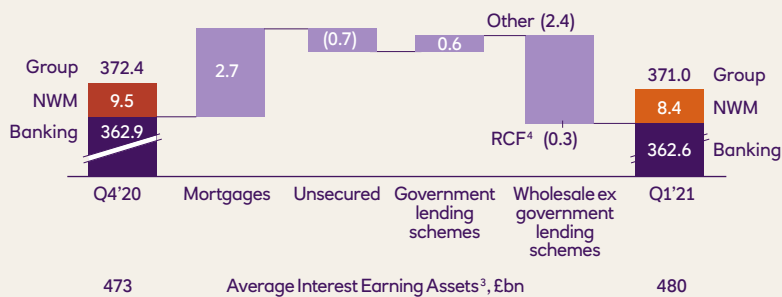


Net interest income support from mortgage growth

Mortgage growth at wider margins supported Bank NIM (+1bp). Structural hedge impact of -3bps in Q1, in line with guidance.

1. Bank net interest margin and Bank average interest earning assets exclude NWM from NatWest Group plc figures.

Gross loans and advances^{1,2}, quarter on quarter, £bn



Loan book stable in the quarter

Strong mortgage growth partly offset by ongoing unsecured credit repayment. Government lending schemes offset by other commercial loan repayments.

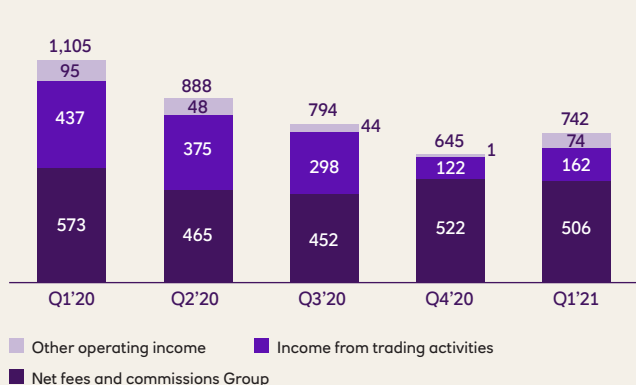
1. May not cast due to rounding.

2. Loans – amortised cost and FVOCI, as detailed in the segment and sector analysis on page 15 and 17 of the NWG IMS Q1'21.

3. Bank average interest earning assets NatWest Group plc excluding NWM.

4. Revolving credit facilities for our Commercial Banking customers.

Non Interest Income¹ £m

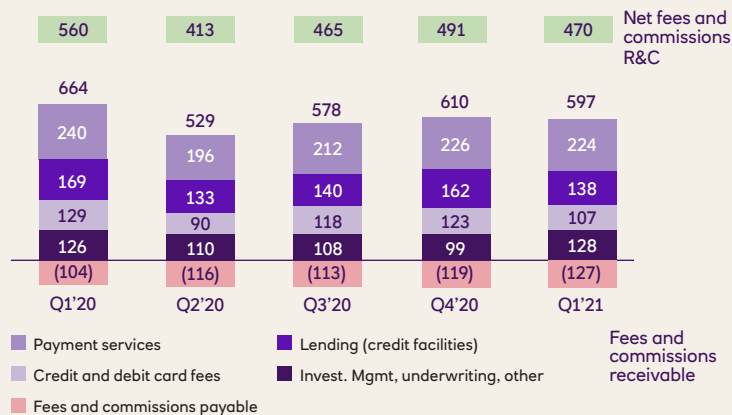


Non interest income impacted by lock down

1. Excluding all notable items as set forth on page 5 of the Q1 IMS.

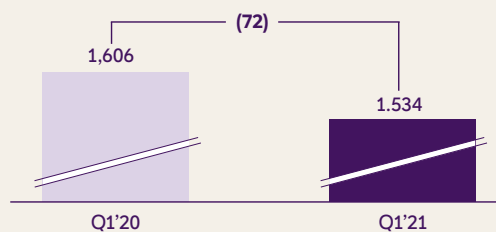
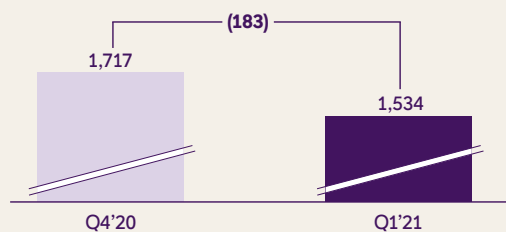
2. Retail & Commercial Businesses' Fees and Commissions are calculated as Natwest group excluding Natwest Markets, central items and other.

Retail & commercial Businesses' Fees and Commissions² £m

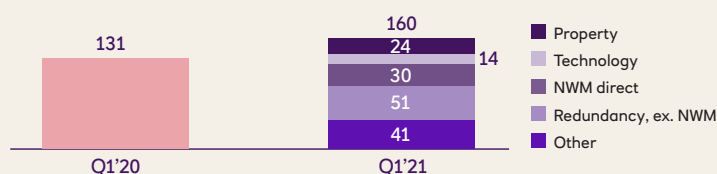
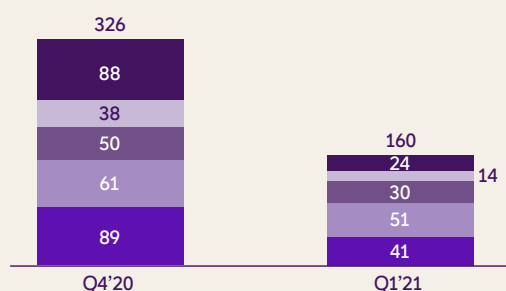


On track to meet FY'21 cost reduction target of around 4%¹

Other expenses ex Operating Lease Depreciation and Ulster ROI Direct¹, £m



Strategic costs, £m



1. Other expenses excluding Operating Lease Depreciation (OLD) and Ulster Direct Cost. Operating Lease Depreciation £35m in Q1'21, £36m in Q1'20 and £35m in Q4'20. Ulster Bank ROI Direct costs of £70m in Q1'21, £72m in Q1'20 and £69 in Q4'20.

2. Q1'20 breakdown not disclosed.

Sustainable growth with intelligent approach to risk

Impairment release as defaults remain low, provision for economic uncertainty maintained.

No change to economic assumptions in Q1'21.

Improvement in underlying risk drives Stage 1 & 2 net releases.

We expect FY'21 impairments to be at or below our through the cycle range of 30-40bps of gross customer loans.

Impairment charge / (release) by segment

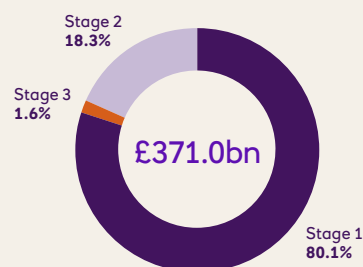
	Retail Banking	Private Banking	Commercial Banking	RBSI	Ulster	NatWest Group
Q1'21 (£m)	34	–	(117)	(2)	(12)	(102)
Q1'21 (bps)	8	–	(43)	(5)	(27)	(11)
Q4'20 (£m)	65	26	10	27	(1)	130
Q4'20 (bps)	15	61	4	81	(2)	14

Impairments

IFRS 9 Economic Assumptions¹ – unchanged in Q1'21

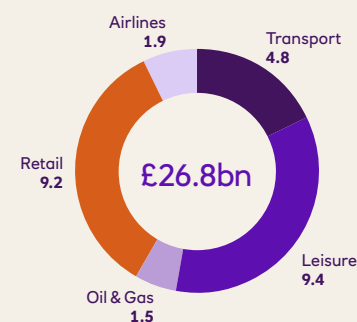
Scenario	Probability weighting	UK GDP – Annual Growth (%)			UK Unemployment rate – annual average (%)		
		2021	2022	5y Avg.	2021	2022	5y Avg.
Upside	20%	9.0	2.6	3.6	5.6	4.5	4.4
Base case	40%	4.5	4.2	3.1	6.3	6.3	5.7
Downside	30%	2.6	4.6	2.8	8.5	7.7	7.1
Extreme Downside	10%	(4.6)	6.1	1.3	12.3	12.0	9.7

Gross Loans & Advances by stage^{1,2} £bn, Q1'21



Spotlight on sectors in focus for management, Q1'21

Total loans and advances^{1,3}, £bn



Intelligent and consistent approach to risk

- Diversified risk profile with limited change in Q1
- Stage 3 loans £6.1bn or 1.6% of group loans, down from 1.7% at Q4'20
- ECL coverage has reduced to 1.6% from 1.7% due to good book releases and write-offs
- Focus sectors affected by COVID-19 down 2% over Q4'20 to c.£27bn, just £0.7bn in Stage 3

1. Loans – amortised cost and FVOCI.

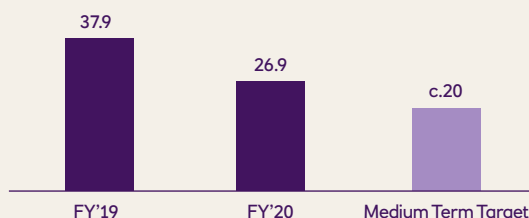
2. May not cast due to rounding.

3. Includes: Airlines and aerospace, Land transport and logistics, Leisure, Oil and Gas and Retail sectors. Subset of Corporate Loans, see pg17 of the NatWest Group plc's Q1'21 IMS.

Capital allocation

NatWest Markets RWA reduction progressing toward target

Risk Weighted Assets (£bn)



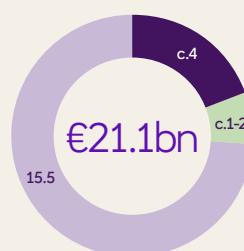
ECL provision and sensitivity to economic scenarios

- Reduced NWM RWA by £11bn or 29% during 2020, c.£5bn ahead of FY'20 guidance¹.
- £500m dividend paid to NatWest Group in Feb-21 from NatWest Markets.
- We expect NatWest Markets disposal losses and the impact of Commercial Banking capital management actions to total £0.3bn in 2021.

1. At H1'20 we guided to a reduction in NWM RWAs to c.£32 billion by the end of 2020.

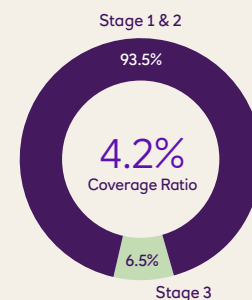
Ulster Bank Ireland DAC FY'20

Loans amortised cost (£bn)¹



■ Allied Irish Banks plc
■ Other Wholesale
■ Retail

Loans by staging (£bn)¹



- NPL ratio of 5.7% at FY'20

UBIDAC Capital and RWAs, FY'20

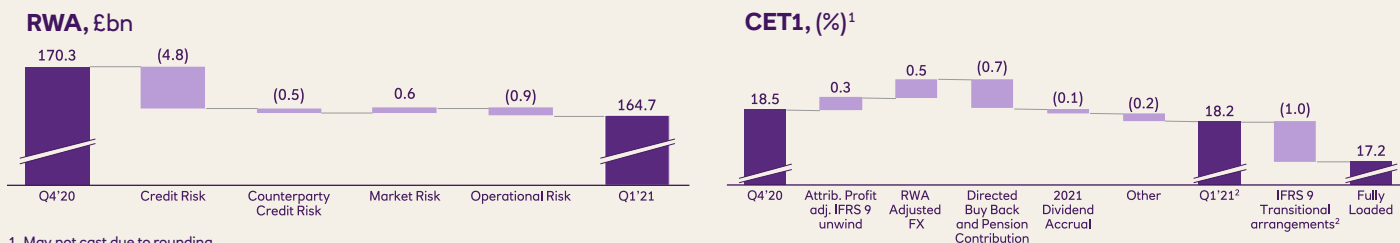
- CET1 Capital Ratio: 28.1%
- Total RWA: €14.1bn

We expect NWG's withdrawal from the Republic of Ireland to be capital accretive over the multi-year process.

1. Per page 82 of UBIDAC's 2020 Annual Report and Accounts.

2. The proposed sale may not be concluded on the terms contemplated in the MoU, or at all. See UBIDAC's 2020 Annual Report and Accounts.

Robust balance sheet with strong capital & liquidity levels



1. May not cast due to rounding.

2. Including IFRS9 Transitional adjustment at 100% reducing to 75% in 2022.

Strong capital position post £1.1bn directed buy back

CET1 ratio 18.2% down 0.3% from Q4'20

Share buy back and 2021 dividend accrual reduced ratio by 0.8%

RWA reduced by £5.6bn. Includes £1.3bn FX benefit and £1.0bn benefit from procyclicality

1. This section contains forward-looking statements, please see Forward-Looking Statements on page 1 of this document, and Outlook Statement on page 9 of NatWest Group FY'20 Company Announcement.

Key Drivers of CET1 ratio¹:

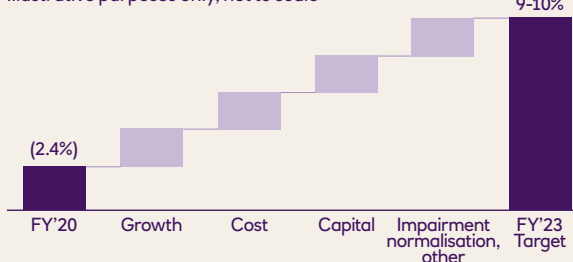
Earnings	We target an improvement in ROTE to 9-10% by FY'23
Shareholder distributions	We intend to distribute a minimum of £800m per annum through dividends while retaining capacity to participate in Direct Buy Backs.
Dividend-linked pension contributions	£500m pre-tax contribution paid in Q1'21. Further £1bn pre-tax accrual, with a maximum of £500m per annum
IFRS 9 unwind	£1.7bn benefit of 100% at Q1'21, will unwind to 75% in FY'22, 50% FY'23, 25% FY'24. Will also be affected by stage migration which remains uncertain.
Lending volumes	RWA consumption is dependent on loan growth and mix.
NatWest Markets refocus	In 2021 we expect to achieve the majority of the remaining RWA reduction towards the medium term target of £20bn.
RWA procyclicality	We expect to incur inflation due to negative credit rating migration, timing is dependent on economic development.
Regulation	We expect mortgage risk-weight inflation of around £12bn based on balances at end 2020, and other model changes to be introduced on 1 Jan 2022. Procyclicality may bring part of this forward into 2021. We anticipate RWA inflation from Basel 3 amendments to be less than 5% of RWAs as at FY'20 and currently expect implementation in 2023, subject to regulatory uncertainty on both quantum and timing.

NatWest Group capital distributions

- FY'20 final dividend of 3 pence per share. £1.1bn directed buy back completed.
- Subject to economic conditions being in line with, or better than, our central economic forecast, NatWest Group intends to maintain ordinary dividends of around 40% of attributable profit and aims to distribute a minimum of £800 million per annum from 2021 to 2023 via a combination of ordinary and special dividends.
- NatWest Group intends to maintain the required capacity to participate in directed buybacks of the UK Government stake and recognises that any exercise of this authority would be dependent upon HMT's intentions and is limited to 4.99% of issued share capital in any 12 month period.

Return on Tangible Equity

Illustrative purposes only, not to scale



1. Comprises customer loans in our UK and RBS International retail and commercial businesses.

2. Total expenses excluding litigation and conduct costs, strategic costs, operating lease depreciation and the impact of the phased withdrawal from the Republic of Ireland.

We expect to generate a ROTE of 9-10% by 2023.

Improvement in ROTE driven by:

Growth – we target loan growth above market through to 2023¹;

Costs – we target c.4% per annum reduction in other expenses ex OLD through to 2023²; and

Capital – we target CET1 ratio of 13-14% by 2023.

2021 Issuance guidance and Q1 2021 progress

Senior unsecured

- ~£3-5bn HoldCo senior MREL



NWG €1bn 9NC8

Second social bond and third bond issued in GSS format, brings total GSS issuance to ~£2bn

Capital

- ~£2bn HoldCo Tier 2
- ~£1bn HoldCo AT1



NWG £400m PNC7.5 4.5%

Second NatWest Group plc GBP AT1

Legacy capital

- Ongoing opportunities to optimise regulatory efficiency

Targeted CRR non-compliant Tier 1 securities and bullet format Tier 2 securities in their final five years of maturity

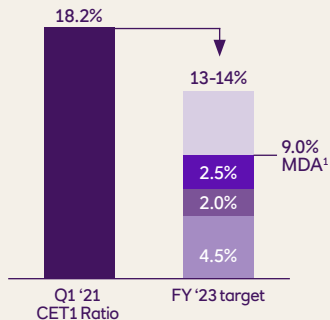
Announced the call of a NWB plc discounted perpetual, in-line with strategy to reduce legacy capital securities that do not provide capital benefit beyond the end of 2021

Robust capital and liquidity positions

CET1 headroom above medium term target^{1,2}

420-520bps

c.£7.0-8.6bn of headroom in Q1'21

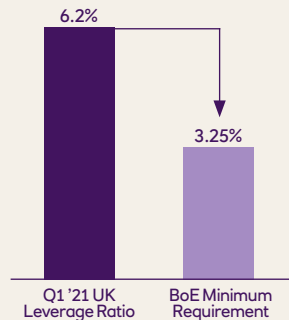


■ Capital ■ Pillar 2A³ ■ Buffer
■ Capital Conservation ■ Pillar 1 Buffer

Headroom above minimum UK leverage requirements

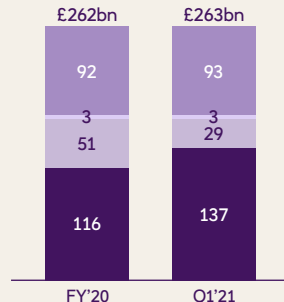
295bps

headroom above minimum requirements



High quality liquidity pool

Secondary liquidity
Other government
AAA to AA-governments
Cash and central banks

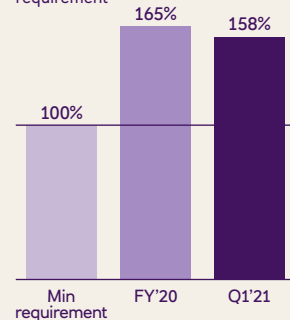


£170bn in primary liquidity with mix of cash and high quality sovereign bonds

Liquidity coverage ratio above min UK requirement

c.£64.9bn

surplus liquidity over minimum requirement



Liquidity coverage ratio remains well above min UK requirement

1. Refer to detailed disclosure in Q1'21 IMS. 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 ratings¹

	Moody's	S&P	Fitch
Group holding company			
NatWest Group plc	Baa1/Pos	BBB/Sta	A/Sta
Ring-fenced bank operating companies			
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
Non ring-fenced bank operating companies			
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	Baa1/Pos	A-/Sta	A/Sta

1. Ratings as of 14/07/2021. * Moody's Long-Term Bank Deposit Ratings

Legal entity issuing structure

