



# Q1 2022 Interim Management Statement

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# NatWest Group plc

## Q1 2022 Interim Management Statement

### Chief Executive, Alison Rose, commented:

“The world has changed considerably during the last three months. Our thoughts are with everyone affected by the invasion of Ukraine and we are doing all that we can to support them. We are also very aware of the challenges and concerns the cost-of-living crisis is causing for many of our customers up and down the country. NatWest Group is focused on providing practical help and support for the people, families and businesses we serve.

Despite the challenging environment, I am pleased with our performance as we continue to execute well against our strategy, driving sustainable growth and returns. Income and profits are substantially up, costs are down and we remain well capitalised as we build long-term value and deliver a simpler and better banking experience for our customers.

Government ownership also reduced to around 48% in Q1; the first time it has fallen below 50% since the financial crisis. This was an important milestone for our bank and a further demonstration of the progress we are making as we continue to deliver for our customers and shareholders.”

### Strong Q1 2022 operating performance

- Q1 2022 attributable profit of £841 million and a return on tangible equity of 11.3%.
- Go-forward group<sup>(1)</sup> income excluding notable items increased by £219 million, or 8.6%, compared with Q1 2021 principally reflecting volume growth and favourable yield curve movements.
- Bank net interest margin (NIM) of 2.46% was 15 basis points higher than Q4 2021 principally reflecting the impact of recent base rate rises.
- Other operating expenses in the Go-forward group were £78 million, or 4.6%, lower than Q1 2021.
- A total net impairment release of £38 million, £7 million in the Go-forward group, reflected the low levels of realised losses we continue to see across our portfolio, although the economic outlook remains uncertain.

### Robust balance sheet with strong capital and liquidity levels

- Net lending for the Go-forward group increased by £6.7 billion to £359.0 billion in comparison to Q4 2021 principally reflecting Retail Banking mortgage growth of £2.6 billion and a £2.4 billion increase across Commercial & Institutional.
- Customer deposits for the Go-forward group increased by £4.2 billion in the quarter to £465.6 billion driven by treasury repo activity and continued growth across the segments.
- RWAs increased by £0.5 billion to £176.8 billion compared with 1 January 2022.
- CET1 ratio of 15.2% was 70 basis points lower than 1 January 2022, principally reflecting the impact of the directed buyback.
- The liquidity coverage ratio (LCR) of 167%, representing £83.3 billion above 100%, decreased by 5 percentage points compared with Q4 2021.

### Outlook<sup>(2)</sup>

- We retain the outlook guidance provided in the 2021 Annual Report and Accounts, although we now expect 2022 income excluding notable items to be comfortably above £11.0 billion in the Go-forward group.

(1) Go-forward group excludes Ulster Bank RoI and discontinued operations.

(2) The guidance, targets, expectations and trends discussed in this section represent NatWest Group plc management's current expectations and are subject to change, including as a result of the factors described in the NatWest Group plc Risk Factors section on pages 406 to 426 of the 2021 Annual Report and Accounts. These statements constitute forward-looking statements. Refer to Forward-looking statements in this announcement.

## Our Purpose in action

We champion potential, helping people, families and businesses to thrive. As a relationship bank for a digital world, we are breaking down barriers, building financial confidence and delivering sustainable growth and sustainable returns by living up to our purpose. Some key achievements from Q1 2022:

### People and families

- We supported customers with 2.8 million financial capability interactions in Q1 2022, with 0.2 million financial health checks carried out.
- Alongside footballer and campaigner Marcus Rashford MBE, we have created a programme designed to support young people in communities across the UK to learn about and develop a positive relationship with money.
- Our new Credit Score Predictor allows customers to simulate different scenarios to see the impact these could have on their credit score, supporting them to improve their financial health.
- The new Round Ups feature in our mobile banking app helps our customers save their small change every time they use their debit card or contactless device. Since its launch in Q1 2022, 644,000 customers have switched the feature on, saving more than £10 million as a result.
- We are the first UK high street bank to launch a bill-splitting function – Split Bill – in our banking app using Open Banking, making it simple to split bills with friends and family.
- From 1 February 2022, the Personal Portfolio Funds (PPF), available through NatWest Invest, Royal Bank Invest and Coutts Invest, include a commitment that a minimum of 50% of assets by value in each fund will be on a Net Zero Trajectory<sup>(1)</sup>.

### Businesses

- £5.6 billion of climate and sustainable funding and financing was completed in Q1 2022, bringing the cumulative contribution to £13.6 billion against our target to provide £100 billion between 1 July 2021 and the end of 2025.
- Collaborating with CoGo, we launched the pilot of an app to selected manufacturing and transport business banking customers to track their carbon footprint using their transaction data.
- We announced a collaboration with Workplace owner Meta to offer female business owners training and support, as well as opportunities to expand business connections and networks.
- As part of our commitment to help businesses benefit from the transition to net zero, we announced a new Clean Transport Accelerator hub in collaboration with the Warwick Manufacturing Group (WMG) at the University of Warwick, providing coaching, workspace and access to clean-energy, manufacturing and automotive experts at WMG.
- We also announced a new Accelerator hub facility offering specialist support to scale-up businesses across London.

### Colleagues

- We have worked with over 11,000 colleagues, customers and community partners to introduce a refreshed set of values that will guide and inspire us in everything we do.
- The Ignite leadership development programmes were launched for female and Black, Asian and Minority Ethnic colleagues, with 90 places available on both programmes.
- We have recently been ranked in the top 50 of the Top 100 Employers in Stonewall's Workplace Equality Index, rewarding our commitment to being an LGBT+ inclusive employer.

### Communities

- In response to the Russian invasion of Ukraine, NatWest Group colleagues and customers have donated £7.9 million (as at the end of Q1 2022) to the Disasters Emergency Committee's Ukraine Humanitarian Appeal, which includes NatWest Group matching of £2.5 million.
- As the cost of living rises, we are doing more to help customers in vulnerable situations. Through our partnership with Citizens Advice, 2,100 customers have been referred by the bank and helped with complex advice needs in the last year alone.
- We announced that we are giving our shareholders their say on climate through the bank's first climate resolution. The resolution is intended to promote transparency about the bank's climate ambitions and strategic direction.
- In Retail Banking, we completed £234 million of Green Mortgages in Q1 2022, rewarding customers for choosing an energy efficient home.
- We have installed electric vehicle (EV) chargers in 325 parking spaces across our Gogarburn, Liverpool, Bristol and Belfast offices – the early actions of our goal to have EV charging available for 15% of our car parking spaces by 2025.
- NatWest Group and NatWest Markets Group won four titles in the 2022 Environmental Finance Bond Awards. The awards won reflect the bank's impactful role as both an issuer and intermediary.

(1) Net Zero Trajectory is a commitment, credible plan or action taken to achieve net zero greenhouse gas emissions by 2050.

## Business performance summary

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
<b>Continuing operations</b>			
Total income	3,027	2,622	2,591
Operating expenses	(1,820)	(2,328)	(1,804)
Profit before impairment releases	1,207	294	787
Operating profit before tax	1,245	635	885
Profit attributable to ordinary shareholders	841	434	620
<b>Excluding notable items within total income (1)</b>			
Total income excluding notable items (2)	2,803	2,560	2,600
Operating expenses	(1,820)	(2,328)	(1,804)
Profit before impairment releases and excluding notable items	983	232	796
Operating profit before tax and excluding notable items	1,021	573	894
<b>Go-forward group (3)</b>			
Total income (2)	2,987	2,579	2,535
Total income excluding notable items (2)	2,763	2,517	2,544
Other operating expenses	(1,605)	(2,034)	(1,683)
Return on tangible equity	11.9%	5.6%	8.5%
<b>Performance key metrics and ratios</b>			
Bank net interest margin (2,4)	2.46%	2.31%	2.32%
Bank average interest earning assets (2,4)	£333bn	£329bn	£321bn
Cost:income ratio (2)	59.7%	88.6%	69.2%
Loan impairment rate (2)	(1bps)	(38bps)	(11bps)
Total earnings per share attributable to ordinary shareholders - basic	7.5p	3.8p	5.1p
Return on tangible equity (2)	11.3%	5.6%	7.9%
	£bn	£bn	£bn
<b>Balance sheet</b>			
Total assets	785.4	782.0	769.8
Funded assets (2)	685.4	675.9	646.8
Loans to customers - amortised cost	365.3	359.0	358.7
Loans to customers and banks - amortised cost and FVOCI	375.7	369.8	371.0
Go-forward group net lending	359.0	352.3	341.8
Impairment provisions - amortised cost	3.6	3.8	5.6
Total impairment provisions	3.7	3.8	5.8
Expected credit loss (ECL) coverage ratio	0.98%	1.03%	1.56%
Assets under management and administration (AUMA) (2)	35.0	35.6	32.6
Go-forward group customer deposits (2)	465.6	461.4	434.9
Customer deposits	482.9	479.8	453.3
<b>Liquidity and funding</b>			
Liquidity coverage ratio (LCR)	167%	172%	158%
Liquidity portfolio	275	286	263
Net stable funding ratio (NSFR) (5)	152%	157%	153%
Loan:deposit ratio (2)	73%	72%	77%
Total wholesale funding	76	77	61
Short-term wholesale funding	22	23	20
<b>Capital and leverage</b>			
Common Equity Tier (CET1) ratio (6)	15.2%	18.2%	18.2%
Total capital ratio (6)	20.4%	24.7%	24.8%
Pro forma CET1 ratio, pre dividend accrual (7)	16.1%	19.5%	18.6%
Risk-weighted assets (RWAs)	176.8	157.0	164.7
UK leverage ratio (8)	5.5%	5.9%	6.4%
Tangible net asset value (TNAV) per ordinary share	269p	272p	261p
Number of ordinary shares in issue (millions) (9)	10,622	11,272	11,560

(1) Refer to the following page for details of notable items within total income.

(2) Refer to the Non-IFRS financial measures appendix for details of basis of preparation and reconciliation of non-IFRS financial measures and performance metrics.

(3) Go-forward group excludes Ulster Bank Rol and discontinued operations.

(4) NatWest Group excluding Ulster Bank Rol and liquid asset buffer.

(5) NSFR reported in line with PRA Rulebook. Comparative historic numbers calculated in line with CRR2 regulations finalised in June 2019.

(6) Based on the PRA Rulebook Instrument transitional arrangements, therefore includes transitional relief on grandfathered capital instruments and transitional arrangements for the capital impact of IFRS 9 expected credit loss (ECL) accounting. For additional information, refer to page 23. As already announced in the Q4 2021 results, on 1 January 2022 the pro forma CET1 ratio was 15.9% following regulatory changes.

(7) The pro forma CET1 ratio at 31 March 2022 excludes foreseeable items of £1.623 million, £1.096 million for ordinary dividends and £527 million foreseeable charges (31 December 2021 excludes foreseeable charges of £2.036 million, £846 million for ordinary dividends and £1,190 million foreseeable charges and pension contributions; 31 March 2021 excludes foreseeable charges of £547 million for ordinary dividends).

(8) The UK leverage exposure is calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook, and transitional Tier 1 capital is calculated in accordance with the PRA Rulebook. For additional information, refer to page 23.

(9) The number of ordinary shares in issue excludes own shares held.

## Summary consolidated income statement for the period ended 31 March 2022

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Net interest income	2,045	1,942	1,864
Non-interest income	982	680	727
<b>Total income</b>	<b>3,027</b>	<b>2,622</b>	<b>2,591</b>
Litigation and conduct costs	(102)	(190)	(16)
Other operating expenses	(1,718)	(2,138)	(1,788)
<b>Operating expenses</b>	<b>(1,820)</b>	<b>(2,328)</b>	<b>(1,804)</b>
<b>Profit before impairment releases</b>	<b>1,207</b>	<b>294</b>	<b>787</b>
Impairment releases	38	341	98
<b>Operating profit before tax</b>	<b>1,245</b>	<b>635</b>	<b>885</b>
Tax charge	(386)	(234)	(233)
<b>Profit from continuing operations</b>	<b>859</b>	<b>401</b>	<b>652</b>
<b>Profit from discontinued operations, net of tax</b>	<b>42</b>	<b>97</b>	<b>61</b>
<b>Profit for the period</b>	<b>901</b>	<b>498</b>	<b>713</b>
<b>Attributable to:</b>			
Ordinary shareholders	841	434	620
Preference shareholders	-	5	5
Paid-in equity holders	59	58	87
Non-controlling interests	1	1	1
	<b>901</b>	<b>498</b>	<b>713</b>
<b>Notable items within total income (1)</b>			
<b>Private Banking</b>			
Consideration on the sale of Adam & Company investment management business	-	54	-
<b>Commercial &amp; Institutional</b>			
Fair value and disposal losses and asset disposals/strategic risk reduction (2)	-	(16)	(18)
Own credit adjustments (OCA)	18	3	2
<b>Central items &amp; other</b>			
Share of associate profits for Business Growth Fund	23	11	121
Loss on redemption of own debt	(24)	-	(118)
Liquidity Asset Bond sale gains	41	50	5
Property strategy update	-	(44)	-
IFRS volatility in Central items & other (3)	166	3	(1)
Own credit adjustments (OCA)	-	1	-
<b>Total</b>	<b>224</b>	<b>62</b>	<b>(9)</b>

(1) Refer to page 1 of the Non-IFRS financial measures appendix.

(2) As previously reported Q4 2021 includes fair value and disposal losses in the banking book of £4 million (Q1 2021 - £14 million) and £12 million (Q1 2021 - £4 million) of asset disposals/strategic risk reduction relating to the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into, in respect of the strategic announcements of 14 February 2020.

(3) IFRS volatility relates to derivatives used for risk management not in IFRS hedge accounting relationships.

### Non-IFRS financial measures

This document contains a number of non-IFRS financial measures and performance metrics not defined under IFRS. For details of the basis of preparation and reconciliations, where applicable, refer to the appendix.

## Business performance summary

### Chief Financial Officer review

In the first quarter of 2022 we have made good progress against our strategic objectives and have delivered a strong financial performance, with a RoTE of 11.3%. We remain on track to achieve the targets we announced as part of our full year results in February and our capital and liquidity position remains robust. We continue to monitor the evolving economic outlook, including any indirect impacts on NatWest Group and our customers from the Russian invasion of Ukraine, which is having consequences for geopolitical stability, energy supply and prices, and cross-border financial transactions, including as a result of economic sanctions.

#### Financial performance

Total income increased by 16.8% to £3,027 million compared with Q1 2021. Excluding notable items, Go-forward group income was 8.6% higher than Q1 2021 driven by volume growth, principally in our mortgage book, and favourable yield curve movements. We have also seen increased fee income in Retail Banking, as consumer spending levels recover, and higher transactional banking fee income in Commercial & Institutional.

Bank NIM of 2.46% was 15 basis points higher than Q4 2021 principally reflecting the beneficial impact of recent base rate rises. Mortgage completion margins of 66 basis points decreased from 107 basis points in Q4 2021, and were lower than the back book margin of 158 basis points. Mortgage application margins declined from 67 basis points in Q4 2021 to 44 basis points, reflecting a steep rise in swap rates not fully matched by the increases made to our new business pricing.

Other operating expenses in the Go-forward group were £78 million, or 4.6%, lower than Q1 2021 largely reflecting ongoing cost discipline and some one-off items in the prior period. We remain on track to achieve our full year cost reduction target of around 3%, although savings will not be linear across the remaining quarters.

We have reported a total £38 million impairment release, £7 million in the Go-forward group. ECL provisions have reduced to £3.7 billion and ECL coverage ratio decreased to 0.98%. This impairment release reflects a decrease in underlying exposures, continued positive trends in portfolio performance and write-off activity. We recognise the significant uncertainty in the economic outlook and whilst we are comfortable with the strong credit performance of our book, our economic uncertainty post model adjustments (PMA) of £0.7 billion includes an increase of £0.1 billion to reflect the increased concerns arising from the Russian invasion of Ukraine and rising inflation. This level is 18.9% of total impairment provisions. We will continue to assess this position regularly.

As a result, we are pleased to report a Q1 2022 attributable profit of £841 million, with earnings per share of 7.5 pence and a RoTE of 11.3%.

Go-forward group net lending increased by £6.7 billion over the quarter including £2.6 billion of mortgage lending growth in Retail Banking and £2.4 billion of growth in Commercial & Institutional. Unsecured balances in Retail Banking continued to grow in the quarter, with increased demand for unsecured lending and increased consumer spending, partly offset by expected seasonal paydowns. Retail Banking gross new mortgage lending was £9.1 billion in the quarter, compared with £8.4 billion in Q4 2021 and £9.6 billion in Q1 2021.

Go-forward group customer deposits increased by £4.2 billion compared with Q4 2021 as a result of treasury repo activity and continued growth across the franchises.

TNAV per share decreased by 3 pence in the quarter to 269 pence principally reflected movements in the cashflow hedging and other reserves, partially offset by the attributable profit for the period.

#### Capital and leverage

Following the successful directed buyback in March 2022, the CET1 ratio remains strong at 15.2%, or 15.0% excluding IFRS 9 transitional relief. The 70 basis points reduction compared with 1 January 2022 principally reflected the directed buyback and other distribution accruals partially offset by the attributable profit. RWAs of £176.8 billion were £0.5 billion higher than 1 January 2022.

#### Funding and liquidity

The LCR reduced by 5 percentage points to 167%, representing £83.3 billion headroom above 100% minimum requirement primarily due to an increase in customer lending which outstripped growth in customer deposits, and share buyback. Total wholesale funding decreased by £1 billion in the quarter to £76 billion.

## Business performance summary

### Retail Banking

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Total income	1,217	1,164	1,056
Operating expenses	(645)	(774)	(587)
<i>of which: Other operating expenses</i>	(591)	(722)	(585)
Impairment losses	(5)	(5)	(34)
Operating profit	567	385	435
Return on equity	23.1%	19.7%	23.0%
Net interest margin	2.43%	2.28%	2.25%
Cost:income ratio	53.0%	66.5%	55.6%
Loan impairment rate	1bps	1bps	8bps

	As at	
	31 March 2022 £bn	31 December 2021 £bn
Net loans to customers - amortised cost	184.9	182.2
Customer deposits	189.7	188.9
RWAs	52.2	36.7

During Q1 2022, Retail Banking continued to pursue sustainable growth with a measured approach to risk, delivering an operating profit of £567 million. Retail Banking completed £0.7 billion of climate and sustainable funding and financing in Q1 2022 which will contribute towards the NatWest Group target of £100 billion between 1 July 2021 and the end of 2025.

- Total income was £161 million, or 15.2%, higher than Q1 2021 reflecting higher deposit income, supported by recent base rate rises, combined with higher mortgage balances and higher transactional-related fee income, partially offset by lower mortgage margins.
- Net interest margin was 15 basis points higher than Q4 2021 reflecting higher deposit returns partly offset by mortgage margin pressure. Mortgage completion margins of 59 basis points were lower than the back book margin of 155 basis points, with application margins of 37 basis points in the quarter, reflecting a steep rise in swap rates not fully matched by the increases made to our new business pricing.
- Other operating expenses were £6 million, or 1.0%, higher than Q1 2021 with higher technology and investment spend partly offset by an 11.4% reduction in operational headcount, as a result of continued customer digital adoption and automation of end-to-end customer journeys.
- Impairment losses of £5 million in Q1 2022 continue to reflect a low level of stage 3 defaults, largely offset by provision releases in stage 1 and 2.
- Net loans to customers increased by £2.7 billion, or 1.5% compared with Q4 2021 reflecting continued mortgage growth of £2.6 billion, with gross new mortgage lending of £9.1 billion representing flow share of around 12%. Personal advances increased by £0.1 billion as customer demand continued to increase.
- Customer deposits increased by £0.8 billion, or 0.4%, compared with Q4 2021 as growth normalised towards pre-pandemic levels.
- RWAs were £15.5 billion higher than Q4 2021 primarily reflecting 1 January 2022 regulatory changes.

## Business performance summary

### Private Banking

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Total income	216	253	185
Operating expenses	(139)	(155)	(121)
of which: Other operating expenses	(138)	(150)	(126)
Impairment releases	5	12	-
Operating profit	82	110	64
Return on equity	18.2%	21.3%	12.4%
Net interest margin	3.07%	2.67%	2.64%
Cost:income ratio	64.4%	61.3%	65.4%
Loan impairment rate	(11)bps	(26)bps	-
Net new money (£bn) <sup>(1)</sup>	0.8	0.7	0.6

	As at	
	31 March 2022 £bn	31 December 2021 £bn
Net loans to customers - amortised cost	18.7	18.4
Customer deposits	40.3	39.3
RWAs	11.5	11.3
Assets under management (AUMs) <sup>(2)</sup>	29.6	30.2
Assets under administration (AUAs) <sup>(2)</sup>	5.4	5.4
Total assets under management and administration (AUMA) <sup>(2)</sup>	35.0	35.6

(1) Net new money refers to client cash inflows and outflows relating to investment products (this can include transfers from saving accounts). Net new money excludes the impact of EEA resident client outflows following the UK's exit from the EU.

(2) AUMA comprises both assets under management (AUMs) and assets under administration (AUAs) serviced through the Private Banking franchise. For further details refer to the non-IFRS financial measures appendix.

Private Banking return on equity of 18.2% and operating profit of £82 million in Q1 2022 was supported by a strong operating performance and continued lending and deposit balance growth.

- Total income was £31 million, or 16.8%, higher than Q1 2021 primarily due to higher deposit income, supported by recent base rate rises, partially offset by higher cost of lending. Net interest margin of 3.07% was 40 basis points higher than Q4 2021 reflecting higher deposit returns.
- Other operating expenses were £12 million, or 9.5%, higher than Q1 2021 principally due to increased headcount and investment to enhance AUMA growth propositions.
- A net impairment release of £5 million in Q1 2022 reflected continued low levels of credit risk in the portfolio.
- Net loans to customers increased by £0.3 billion, or 1.6%, compared with Q4 2021 due to continued strong mortgage lending growth, whilst RWAs increased by £0.2 billion, or 1.8%.
- Net new money of £0.8 billion represents 9.1% of opening AUMAs annualised and has increased by 33.3% compared with Q1 2021. AUMA balances have reduced by £0.6 billion, or 1.7%, compared with Q4 2021 as a result of adverse market movements.



## Business performance summary

### Commercial & Institutional

	Quarter ended		
	31 March	31 December	31 March
	2022	2021	2021
	£m	£m	£m
Net interest income	803	764	725
Non-interest income	572	404	528
Total income	1,375	1,168	1,253
Operating expenses	(922)	(1,059)	(915)
<i>of which: Other operating expenses</i>	<i>(880)</i>	<i>(1,012)</i>	<i>(915)</i>
Impairment releases	11	317	125
Operating profit	464	426	463
Return on equity	8.8%	8.3%	8.5%
Net interest margin	2.69%	2.52%	2.40%
Cost:income ratio	66.3%	90.4%	72.3%
Loan impairment rate	(3)bps	(101)bps	(38)bps

  

	As at	
	31 March	31 December
	2022	2021
	£bn	£bn
Net loans to customers - amortised cost	126.6	124.2
Customer deposits	217.9	217.5
Funded assets	334.6	321.3
RWAs	100.3	98.1
Depository assets (1)	455.8	479.4

(1) Assets held by Commercial & Institutional as an independent trustee and in a depository service capacity.

As previously announced, we have brought together our Commercial Banking, NatWest Markets and RBS International businesses to form a single franchise, Commercial & Institutional, with common management and objectives to best support our customers across the full non-personal customer lifecycle.

During Q1 2022 Commercial & Institutional delivered a resilient performance with a return on equity of 8.8% and operating profit of £464 million.

Commercial & Institutional completed £4.9 billion of climate and sustainable funding and financing in Q1 2022 delivering a cumulative £11.8 billion since 1 July 2021, contributing toward the NatWest Group target of £100 billion between 1 July 2021 and the end of 2025.

- Total income was £122 million, or 9.7%, higher than Q1 2021 due to higher deposit returns from an improved interest rate environment, increased transactional banking fees and higher trading income. Total income was £207 million, or 17.7%, higher than Q4 2021 principally reflecting an uplift in trading income compared to a weak Q4 2021 and improved yield curve supporting deposit income.
- Net interest margin was 17 basis points higher than Q4 2021 mainly due to improved deposit returns.
- Other operating expenses were £35 million, or 3.8%, lower than Q1 2021 primarily reflecting reductions in front office restructuring costs and back office operational costs, and lower staff costs as a result of an 11% reduction in headcount.
- An impairment release of £11 million reflects the continued low levels of realised losses seen across the portfolio.
- Net loans to customers increased by £2.4 billion, or 1.9%, in Q1 2022 with Business Banking and Commercial Mid-market stable excluding continued UK Government financial support scheme repayments. Net lending grew in the Corporate & Institutions business driven by increased capital markets activity and growth in facility utilisation, and invoice and asset finance balances within our Commercial Mid-market business increased by £0.5 billion.
- Customer deposits increased by £0.4 billion, or 0.2%, in Q1 2022 due to overall increased customer liquidity.
- RWAs increased by £2.2 billion primarily due to regulatory changes from 1 January 2022 and higher levels of market risk and counterparty credit risk. This is partly offset by lower operational risk RWAs.

## Business performance summary

### Ulster Bank Rol

#### Continuing operations

	Quarter ended		
	31 March 2022 €m	31 December 2021 €m	31 March 2021 €m
Total income	46	50	64
Operating expenses	(134)	(153)	(130)
of which: Other operating expenses	(134)	(122)	(120)
Impairment releases	37	15	10
Operating loss	(51)	(88)	(56)

	As at	
	31 March 2022 €bn	31 December 2021 €bn
Net loans to customers - amortised cost	7.5	7.9
Customer deposits	20.4	21.9
RWAs	13.2	10.9

Ulster Bank Rol continues to make progress on its phased withdrawal from the Republic of Ireland.

- During April 2022, notice of formal account closure has been served to the first tranche of customers, with six months' notice to 'Choose, Move, Close' their current and deposit accounts.
- The sale agreement made in 2021 to Allied Irish Banks, p.l.c. (AIB) for the sale of the Ulster Bank Rol commercial lending portfolio has received approval from the Irish competition authority (the CCPC).
- NatWest Group has also entered into exclusive discussions with AIB for the sale of the Ulster Bank Rol performing tracker (and linked) mortgage portfolio.
- The sale agreement made in 2021 to Permanent TSB p.l.c. (PTSB) remains subject to competition, regulatory and other approvals, including PTSB's holding company shareholder approval, and other conditions being satisfied.

The loan sales agreed in 2021 are expected to occur in phases between Q4 2022 and Q1 2023 with the majority of loans still expected to transfer by Q4 2022. Discussions are also ongoing with other counterparties about their potential interest in other parts of the bank.

- Total income was €18 million, or 28.1%, lower than Q1 2021 reflecting lower lending levels and fee income as a result of decision to withdraw from the Rol market.
- Other operating expenses were €14 million, or 11.7% higher than Q1 2021 with higher withdrawal-related programme costs and higher VAT costs being partially offset by lower regulatory levies and a 5.3% reduction in headcount. Ulster Bank Rol incurred €12 million of withdrawal-related direct costs in Q1 2022.
- A net impairment release of €37 million in Q1 2022 reflects improvements in the reducing portfolio.
- Net loans to customers decreased by €0.4 billion or 5.1% compared with Q4 2021 as repayments continue to exceed gross new lending and a further €0.3 billion of loans were reclassified as Assets Held for Sale.
- Customer deposits decreased by €1.5 billion, or 6.8%, compared with Q4 2021 due to one-off commercial placements at Q4 2021 and reducing personal deposits as customers begin to close accounts.
- RWAs were €2.3 billion higher than Q4 2021 primarily reflecting model updates which were mainly due to overlays as a result of new regulations applicable to IRB models from 1 January 2022.

#### Total Ulster Bank Rol including discontinued operations

	Quarter ended		
	31 March 2022 €m	31 December 2021 €m	31 March 2021 €m
Total income	118	128	142
Operating expenses	(148)	(166)	(143)
of which: Other operating expenses	(148)	(135)	(133)
Impairment releases	30	67	14
Operating profit	-	29	13

	As at	
	31 March 2022 €bn	31 December 2021 €bn
Net loans to customers (amortised cost)	18.4	18.6
Customer deposits	20.4	21.9
RWAs	13.2	10.9

## Business performance summary

### Central items & other

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Central items not allocated	174	(211)	(27)

- A £174 million operating profit within central items not allocated principally reflects IFRS volatility gains of £166 million.

## Segment performance

	Quarter ended 31 March 2022						
	Go-forward group				Total excluding		
	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Ulster Bank RoI £m	Ulster Bank RoI £m	Total NatWest Group £m
Continuing operations							
<b>Income statement</b>							
Net interest income	1,112	143	803	(35)	2,023	22	2,045
Non-interest income	105	73	572	214	964	18	982
<b>Total income</b>	<b>1,217</b>	<b>216</b>	<b>1,375</b>	<b>179</b>	<b>2,987</b>	<b>40</b>	<b>3,027</b>
Direct expenses	(161)	(49)	(407)	(1,037)	(1,654)	(64)	(1,718)
Indirect expenses	(430)	(89)	(473)	1,041	49	(49)	-
Other operating expenses	(591)	(138)	(880)	4	(1,605)	(113)	(1,718)
Litigation and conduct costs	(54)	(1)	(42)	(5)	(102)	-	(102)
<b>Operating expenses</b>	<b>(645)</b>	<b>(139)</b>	<b>(922)</b>	<b>(1)</b>	<b>(1,707)</b>	<b>(113)</b>	<b>(1,820)</b>
Operating profit/(loss) before impairment losses/releases	572	77	453	178	1,280	(73)	1,207
Impairment (losses)/releases	(5)	5	11	(4)	7	31	38
<b>Operating profit/(loss)</b>	<b>567</b>	<b>82</b>	<b>464</b>	<b>174</b>	<b>1,287</b>	<b>(42)</b>	<b>1,245</b>
Income excluding notable items	1,217	216	1,357	(27)	2,763	40	2,803
<b>Additional information</b>							
Return on tangible equity (1)	na	na	na	na	11.9%	na	11.3%
Return on equity (1)	23.1%	18.2%	8.8%	nm	nm	nm	na
Cost:income ratio (1)	53.0%	64.4%	66.3%	nm	56.7%	nm	59.7%
Total assets (£bn)	210.7	29.6	433.5	89.3	763.1	22.3	785.4
Funded assets (£bn) (1)	210.7	29.6	334.6	88.2	663.1	22.3	685.4
Net loans to customers - amortised cost (£bn)	184.9	18.7	126.6	28.8	359.0	6.3	365.3
Loan impairment rate (1)	1bps	(11)bps	(3)bps	nm	-	nm	(1)bps
Impairment provisions (£bn)	(1.5)	(0.1)	(1.6)	-	(3.2)	(0.4)	(3.6)
Impairment provisions - stage 3 (£bn)	(0.9)	-	(0.7)	-	(1.6)	(0.4)	(2.0)
Customer deposits (£bn)	189.7	40.3	217.9	17.7	465.6	17.3	482.9
Risk-weighted assets (RWAs) (£bn)	52.2	11.5	100.3	1.6	165.6	11.2	176.8
RWA equivalent (RWAe) (£bn)	52.2	11.5	102.6	1.9	168.2	11.2	179.4
Employee numbers (FTEs - thousands)	14.0	1.9	11.8	28.7	56.4	1.8	58.2
Third party customer asset rate (2)	2.59%	2.53%	2.83%	nm	nm	nm	nm
Third party customer funding rate (2)	(0.05%)	(0.01%)	(0.02%)	nm	nm	0.06%	nm
Bank average interest earning assets (£bn) (1)	185.5	18.9	121.0	nm	333.3	na	333.3
Bank net interest margin (1)	2.43%	3.07%	2.69%	nm	2.46%	na	2.46%

nm = not meaningful, na = not applicable.  
Refer to page 13 for the notes to this table.

## Segment performance

	Quarter ended 31 December 2021						
	Go-forward group				Total excluding		
	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Ulster Bank RoI £m	Ulster Bank RoI £m	Total NatWest Group £m
Continuing operations							
<b>Income statement</b>							
Net interest income	1,057	126	764	(28)	1,919	23	1,942
Non-interest income	107	127	404	22	660	20	680
<b>Total income</b>	<b>1,164</b>	<b>253</b>	<b>1,168</b>	<b>(6)</b>	<b>2,579</b>	<b>43</b>	<b>2,622</b>
Direct expenses	(281)	(61)	(482)	(1,236)	(2,060)	(78)	(2,138)
Indirect expenses	(441)	(89)	(530)	1,086	26	(26)	-
Other operating expenses	(722)	(150)	(1,012)	(150)	(2,034)	(104)	(2,138)
Litigation and conduct costs	(52)	(5)	(47)	(59)	(163)	(27)	(190)
<b>Operating expenses</b>	<b>(774)</b>	<b>(155)</b>	<b>(1,059)</b>	<b>(209)</b>	<b>(2,197)</b>	<b>(131)</b>	<b>(2,328)</b>
Operating profit/(loss) before impairment losses/releases	390	98	109	(215)	382	(88)	294
Impairment releases/(losses)	(5)	12	317	4	328	13	341
<b>Operating profit/(loss)</b>	<b>385</b>	<b>110</b>	<b>426</b>	<b>(211)</b>	<b>710</b>	<b>(75)</b>	<b>635</b>
Income excluding notable items	1,164	199	1,181	(27)	2,517	43	2,560
<b>Additional information</b>							
Return on tangible equity (1)	na	na	na	na	5.6%	na	5.6%
Return on equity (1)	19.7%	21.3%	8.3%	nm	nm	nm	na
Cost:income ratio (1)	66.5%	61.3%	90.4%	nm	85.0%	nm	88.6%
Total assets (£bn)	210.0	29.9	425.9	93.4	759.2	22.8	782.0
Funded assets (£bn) (1)	210.0	29.8	321.3	92.0	653.1	22.8	675.9
Net loans to customers - amortised cost (£bn)	182.2	18.4	124.2	27.5	352.3	6.7	359.0
Loan impairment rate (1)	1bps	(26)bps	(101)bps	nm	(37)bps	nm	(38)bps
Impairment provisions (£bn)	(1.5)	(0.1)	(1.7)	-	(3.3)	(0.5)	(3.8)
Impairment provisions - stage 3 (£bn)	(0.9)	-	(0.7)	-	(1.6)	(0.4)	(2.0)
Customer deposits (£bn)	188.9	39.3	217.5	15.7	461.4	18.4	479.8
Risk-weighted assets (RWAs) (£bn)	36.7	11.3	98.1	1.8	147.9	9.1	157.0
RWA equivalent (RWAE) (£bn)	36.7	11.3	99.9	2.1	150.0	9.1	159.1
Employee numbers (FTEs - thousands)	14.6	1.9	11.8	27.9	56.2	1.7	57.9
Third party customer asset rate (2)	2.58%	2.34%	2.75%	nm	nm	nm	nm
Third party customer funding rate (2)	(0.05%)	0.00%	(0.01%)	nm	nm	0.05%	nm
Bank average interest earning assets (£bn) (1)	183.5	18.7	120.4	nm	329.5	na	329.5
Bank net interest margin (1)	2.28%	2.67%	2.52%	nm	2.31%	na	2.31%

nm = not meaningful, na = not applicable.  
Refer to page 13 for the notes to this table.

## Segment performance

	Quarter ended 31 March 2021						
	Go-forward group				Total excluding		
	Retail Banking	Private Banking	Commercial & Institutional	Central items & other	Ulster Bank RoI	Ulster Bank RoI	Total NatWest Group
£m	£m	£m	£m	£m	£m	£m	
Continuing operations							
<b>Income statement</b>							
Net interest income	973	115	725	24	1,837	27	1,864
Non-interest income	83	70	528	17	698	29	727
<b>Total income</b>	<b>1,056</b>	<b>185</b>	<b>1,253</b>	<b>41</b>	<b>2,535</b>	<b>56</b>	<b>2,591</b>
Direct expenses	(188)	(43)	(446)	(1,052)	(1,729)	(59)	(1,788)
Indirect expenses	(397)	(83)	(469)	995	46	(46)	-
Other operating expenses	(585)	(126)	(915)	(57)	(1,683)	(105)	(1,788)
Litigation and conduct costs	(2)	5	-	(10)	(7)	(9)	(16)
<b>Operating expenses</b>	<b>(587)</b>	<b>(121)</b>	<b>(915)</b>	<b>(67)</b>	<b>(1,690)</b>	<b>(114)</b>	<b>(1,804)</b>
Operating profit/(loss) before impairment losses/releases	469	64	338	(26)	845	(58)	787
Impairment (losses)/releases	(34)	-	125	(1)	90	8	98
<b>Operating profit/(loss)</b>	<b>435</b>	<b>64</b>	<b>463</b>	<b>(27)</b>	<b>935</b>	<b>(50)</b>	<b>885</b>
Income excluding notable items	1,056	185	1,269	34	2,544	56	2,600
<b>Additional information</b>							
Return on tangible equity (1)	na	na	na	na	8.5%	na	7.9%
Return on equity (1)	23.0%	12.4%	8.5%	nm	nm	nm	na
Cost:income ratio (1)	55.6%	65.4%	72.3%	nm	66.2%	nm	69.2%
Total assets (£bn)	199.2	26.9	450.6	67.2	743.9	25.9	769.8
Funded assets (£bn) (1)	199.2	26.9	329.5	65.3	620.9	25.9	646.8
Net loans to customers - amortised cost (£bn)	174.8	17.5	128.8	20.7	341.8	16.9	358.7
Loan impairment rate (1)	8bps	-	(38)bps	nm	(10)bps	nm	(11)bps
Impairment provisions (£bn)	(1.8)	(0.1)	(2.9)	(0.1)	(4.9)	(0.7)	(5.6)
Impairment provisions - stage 3 (£bn)	(0.8)	-	(1.0)	(0.1)	(1.9)	(0.5)	(2.4)
Customer deposits (£bn)	179.1	33.5	205.1	17.2	434.9	18.4	453.3
Risk-weighted assets (RWAs) (£bn)	35.0	11.2	105.8	1.6	153.6	11.1	164.7
RWA equivalent (RWAE) (£bn)	35.0	11.2	108.6	1.7	156.5	11.1	167.6
Employee numbers (FTEs - thousands)	15.8	1.9	13.2	26.0	56.9	1.9	58.8
Third party customer asset rate (2)	2.73%	2.36%	2.62%	nm	nm	nm	nm
Third party customer funding rate (2)	(0.08%)	0.00%	(0.01%)	nm	nm	0.00%	nm
Bank average interest earning assets (£bn) (1)	175.3	17.7	122.6	nm	320.9	na	320.9
Bank net interest margin (1)	2.25%	2.64%	2.40%	nm	2.32%	na	2.32%

nm = not meaningful, na = not applicable.

(1) Refer to the appendix for details of basis of preparation and reconciliation of non-IFRS performance measures where relevant.

(2) Third party customer asset rate is calculated as annualised interest receivable on third-party loans to customers as a percentage of third-party loans to customers. This excludes assets of disposal groups, intragroup items, loans to banks and liquid asset portfolios. Third party customer funding rate reflects interest payable or receivable on third-party customer deposits, including interest bearing and non-interest bearing customer deposits. Intragroup items, bank deposits, debt securities in issue and subordinated liabilities are excluded for customer funding rate calculation. Net interest margin is calculated as net interest income as a percentage of the average interest-earning assets, and only excludes liquid asset buffer and assets of disposal groups.

## Risk and capital management

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### Credit risk

#### Segment analysis – portfolio summary

The table below shows gross loans and expected credit loss (ECL), by segment and stage, within the scope of the IFRS 9 ECL framework.

	Go-forward group						Total £m
	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total excluding Ulster Bank Rol £m	Ulster Bank Rol £m	
<b>31 March 2022</b>							
Loans - amortised cost and FVOCI (1)							
Stage 1	171,357	18,050	112,118	33,303	334,828	5,295	340,123
Stage 2	12,217	876	15,742	87	28,922	706	29,628
Stage 3	2,603	256	2,286	-	5,145	756	5,901
<i>Of which: individual</i>	-	256	882	-	1,138	76	1,214
<i>Of which: collective</i>	2,603	-	1,404	-	4,007	680	4,687
<i>Subtotal excluding disposal group loans</i>	186,177	19,182	130,146	33,390	368,895	6,757	375,652
<i>Disposal group loans</i>						9,320	9,320
<b>Total</b>						16,077	384,972
ECL provisions (2)							
Stage 1	141	13	158	18	330	8	338
Stage 2	514	22	742	14	1,292	55	1,347
Stage 3	879	38	733	-	1,650	358	2,008
<i>Of which: individual</i>	-	38	305	-	343	12	355
<i>Of which: collective</i>	879	-	428	-	1,307	346	1,653
<i>Subtotal excluding ECL provisions on disposal group loans</i>	1,534	73	1,633	32	3,272	421	3,693
<i>ECL provisions on disposal group loans</i>						121	121
<b>Total</b>						542	3,814
ECL provisions coverage (3)							
Stage 1 (%)	0.08	0.07	0.14	0.05	0.10	0.15	0.10
Stage 2 (%)	4.21	2.51	4.71	16.09	4.47	7.79	4.55
Stage 3 (%)	33.77	14.84	32.06	-	32.07	47.35	34.03
<i>ECL provisions coverage excluding disposal group loans</i>	0.82	0.38	1.25	0.10	0.89	6.23	0.98
<i>ECL provisions coverage on disposal group loans</i>						1.30	1.30
<b>Total</b>						3.37	0.99

For the notes to this table refer to the following page.

Risk and capital management  
 Credit risk continued  
 Segment analysis – portfolio summary continued

	Go-forward group						Total
	Retail Banking	Private Banking	Commercial & Institutional	Central items & other	Total excluding Ulster Bank Rol	Ulster Bank Rol	
31 December 2021	£m	£m	£m	£m	£m	£m	£m
<b>Loans - amortised cost and FVOCI (1)</b>							
Stage 1	168,013	17,600	107,368	32,283	325,264	5,560	330,824
Stage 2	13,594	967	18,477	90	33,128	853	33,981
Stage 3	1,884	270	2,081	-	4,235	787	5,022
<i>Of which: individual</i>	-	270	884	-	1,154	61	1,215
<i>Of which: collective</i>	1,884	-	1,197	-	3,081	726	3,807
<i>Subtotal excluding disposal group loans</i>	183,491	18,837	127,926	32,373	362,627	7,200	369,827
<i>Disposal group loans</i>						9,084	9,084
<b>Total</b>						16,284	378,911
<b>ECL provisions (2)</b>							
Stage 1	134	12	129	17	292	10	302
Stage 2	590	29	784	11	1,414	64	1,478
Stage 3	850	37	751	-	1,638	388	2,026
<i>Of which: individual</i>	-	37	313	-	350	13	363
<i>Of which: collective</i>	850	-	438	-	1,288	375	1,663
<i>Subtotal excluding ECL provisions on disposal group loans</i>	1,574	78	1,664	28	3,344	462	3,806
<i>ECL provisions on disposal group loans</i>						109	109
<b>Total</b>						571	3,915
<b>ECL provisions coverage (3)</b>							
Stage 1 (%)	0.08	0.07	0.12	0.05	0.09	0.18	0.09
Stage 2 (%)	4.34	3.00	4.24	12.22	4.27	7.50	4.35
Stage 3 (%)	45.12	13.70	36.09	-	38.68	49.30	40.34
<i>ECL provisions coverage excluding disposal group loans</i>	0.86	0.41	1.30	0.09	0.92	6.42	1.03
<i>ECL provisions coverage on disposal group loans</i>						1.20	1.20
<b>Total</b>						3.51	1.03

(1) Fair value through other comprehensive income (FVOCI).

(2) Includes £4 million (31 December 2021 – £5 million) related to assets classified as FVOCI.

(3) ECL provisions coverage is calculated as ECL provisions divided by loans – amortised cost and FVOCI. It is calculated on third party loans and total ECL provisions.

(4) The table shows gross loans only and excludes amounts that were outside the scope of the ECL framework. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £167.7 billion (31 December 2021 – £176.3 billion) and debt securities of £42.9 billion (31 December 2021 – £44.9 billion).

- Stage 3 loans increased, as write-offs and repayments were more than offset by the effect of the new regulatory definition of default, which in isolation led to an increase of approximately £0.7 billion in Stage 3 balances, mostly in Retail mortgages, and an increase in defaults on government support schemes.
- Underlying flows into default remained subdued during Q1 2022. However, it is expected that defaults will increase as the year progresses and growing inflationary pressures on businesses, consumers and the broader economy continue to evolve.
- Stage 2 loans and ECL reduced further during the first quarter of 2022, with positive trends in underlying risk metrics maintained since 31 December 2021 and migration of exposures into Stage 3.
- The economic scenarios driving the ECL requirement, as well as model performance considerations, were consistent with those described in the 2021 Annual Report and Accounts.



## Risk and capital management

### Credit risk continued

#### Segment analysis – loans

- **Retail Banking** – Balance sheet growth continued during Q1 2022. This was primarily in mortgages, where new lending remained strong. Unsecured lending balances increased slightly during Q1 2022, with increased demand for loans and, following the easing of COVID-19 restrictions, increased consumer spending maintaining credit card balances. Total ECL coverage reduced during the first quarter of 2022, reflective of low unemployment and stable portfolio performance, whilst maintaining sufficient ECL coverage for key portfolios above pre-COVID-19 levels, given the persisting sources of uncertainty in relation to inflation and cost of living pressures. Stage 3 ECL increased overall, mainly because of the IFRS 9 alignment to the new regulatory default definition, implemented on 1 January 2022. This change resulted in an increase in Stage 3 exposures of approximately £0.7 billion, mostly in mortgages and driven by a more expansive suite of default definition guidelines, including probation treatments. Stage 2 balances decreased during the quarter, reflecting continued stability in IFRS 9 probability of default (PD) estimates and also the consequence of the migration of balances into Stage 3 under the new regulatory default definition. The implementation of new mortgage IFRS 9 models resulted in lower Stage 3 ECL coverage due to reduced loss estimates for cases where the customer was not subject to repossession activity. This mortgage reduction was the primary driver for the change in overall Retail Stage 3 coverage during the quarter.
- **Commercial & Institutional** – The balance sheet reduction observed in 2021 stabilised in Q1 2022, with repayments during the quarter largely offset by additional lending across the portfolio. Sector appetite is regularly reviewed with continued focus on appetite to high oversight sectors. Strategic reductions and right sizing of appetite limits continued to be achieved. Stage 2 balances continued to fall reflecting positive portfolio performance which lowered PDs and resulted in exposure migrating back into Stage 1. PD deterioration remained the primary driver of cases moving into Stage 2. The ECL release was largely due to improvements in underlying PDs and reduced Stage 2 balances, as assets migrated back into Stage 1, partly offset by net post model adjustment increases. There was a small increase in Stage 3 balances as write-offs were more than offset by increases due to the new regulatory default definition and an increase in defaults on government support schemes.

#### Movement in ECL provision

The table below shows the main ECL provision movements.

	ECL provision £m
At 1 January 2022	3,806
Transfers to disposal groups	(3)
Changes in risk metrics and exposure: Stage 1 and Stage 2	(128)
Changes in risk metrics and exposure: Stage 3	142
Judgemental changes: changes in post model adjustments for Stage 1, Stage 2 and Stage 3	(2)
Write-offs and other	(122)
At 31 March 2022	3,693

- ECL reduced during Q1 2022. This reflected a decrease in underlying exposures, continued positive trends in portfolio performance and write-off activity.
- Stage 3 new defaults remained low during the quarter. Stage 3 ECL balances remained broadly stable, mainly due to write-offs and repayments of defaulted debt largely offsetting the effect of the new regulatory default definition.
- Additionally, broader portfolio deterioration continued to be subdued and resulted in favourable movements in IFRS 9 risk metrics, which led to some additional post model adjustments being required to ensure provision adequacy in the face of growing uncertainty.

## Risk and capital management

### Credit risk continued

#### ECL post model adjustments

The table below shows ECL post model adjustments.

	Retail Banking		Private Banking	Commercial & Institutional	Ulster Bank Rol		Total
	Mortgages £m	Other £m			Mortgages £m	Other £m	
<b>31 March 2022</b>							
Deferred model calibrations	-	112	-	64	-	2	178
Economic uncertainty	111	70	7	435	10	20	653
Other adjustments	29	-	-	8	131	-	168
<b>Total</b>	<b>140</b>	<b>182</b>	<b>7</b>	<b>507</b>	<b>141</b>	<b>22</b>	<b>999</b>
Of which:							
- Stage 1	13	8	1	42	2	-	66
- Stage 2	104	174	6	464	11	21	780
- Stage 3	23	-	-	1	128	1	153
<b>31 December 2021</b>							
Deferred model calibrations	58	97	-	62	-	2	219
Economic uncertainty	60	99	5	391	6	23	584
Other adjustments	37	-	-	5	156	-	198
<b>Total</b>	<b>155</b>	<b>196</b>	<b>5</b>	<b>458</b>	<b>162</b>	<b>25</b>	<b>1,001</b>
Of which:							
- Stage 1	9	5	-	15	4	1	34
- Stage 2	126	164	5	443	7	26	771
- Stage 3	20	27	-	-	151	(2)	196

(1) Excludes £61 million (31 December 2021 – £49 million) of post model adjustments (mortgages – £5 million; other – £56 million (31 December 2021 – mortgages £4 million; other – £45 million)) for Ulster Bank Rol disclosed as transfers to disposal groups.

- **Retail Banking** – The post model adjustment for deferred model calibrations decreased to £112 million from £155 million at 31 December 2021. This was due to the removal of the mortgage element of the post model adjustment because of the implementation of a new IFRS 9 PD model during the quarter. The remaining amount, reflected management’s continued judgement that the implied ECL decreases that continued to manifest through the standard PD model monitoring process since 2020, were not fully supportable. Management retained this view on the basis that underlying portfolio performance is believed to be underpinned by government support schemes over the past two years and further outcome data is required on the level of default suppression, particularly with the backdrop of new sources of economic uncertainty and geopolitical risk.
- The post model adjustment for economic uncertainty increased from £159 million to £181 million, reflecting the increased level of uncertainty since 31 December 2021, because of inflation and cost of living pressures as well as the Russian invasion of Ukraine, and the expected effect on the economy. This demonstrated management’s view of a net increase in uncertainty, notwithstanding the dissipating risk of economic effects from COVID-19.
- Other judgmental overlays included a post model adjustment of £16 million to capture the effect of potential cladding risk in the portfolio.
- **Commercial & Institutional** – The post model adjustment for economic uncertainty increased to £435 million from £391 million at 31 December 2021. This reflected the increased uncertainty due to rising inflation as well as the Russian invasion of Ukraine, again partially counter-balanced by the dissipated risks of COVID-19. The majority of the increase in the quarter, £44 million, was to offset underlying Q1 modelled ECL releases which were not considered reflective of the current uncertainty.
- Deferred model calibrations and other adjustments remain broadly consistent with 31 December 2021.
- **Ulster Bank Rol** – Other adjustments decreased to £131 million from £156 million at 31 December 2021 due to improved portfolio performance and balance sheet reduction.
- Deferred model calibrations and economic uncertainty adjustments remain broadly consistent with 31 December 2021.

## Risk and capital management

### Credit risk continued

#### Sector analysis – portfolio summary

The table below shows ECL by stage, for the Personal portfolio and key sectors of the Wholesale portfolio, that continue to be affected by COVID-19.

	Loans - amortised cost & FVOCI				Off-balance sheet		ECL provisions			
	Stage 1	Stage 2	Stage 3	Total	Loan commitments	Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>31 March 2022</b>										
Personal	193,562	13,058	3,446	210,066	41,642	56	157	541	1,185	1,883
Mortgages	183,259	10,657	2,616	196,532	17,660	-	38	136	503	677
Credit cards	2,914	931	102	3,947	15,696	-	57	137	67	261
Other personal	7,389	1,470	728	9,587	8,286	56	62	268	615	945
Wholesale	146,561	16,570	2,455	165,586	82,962	4,497	181	806	823	1,810
Property	29,045	2,913	736	32,694	15,570	461	31	125	221	377
Financial institutions	55,164	530	33	55,727	16,771	1,134	17	23	5	45
Sovereign	5,958	222	9	6,189	1,166	-	19	1	2	22
Corporate	56,394	12,905	1,677	70,976	49,455	2,902	114	657	595	1,366
Of which:										
Airlines and aerospace	900	649	54	1,603	1,552	219	1	35	8	44
Automotive	5,556	934	47	6,537	3,828	63	10	27	11	48
Health	4,351	819	127	5,297	740	9	12	42	39	93
Land transport and logistics	4,124	701	57	4,882	3,310	165	5	60	16	81
Leisure	3,789	3,690	376	7,855	1,831	109	13	250	138	401
Oil and gas	949	186	54	1,189	1,538	454	1	21	29	51
Retail	6,581	1,098	225	7,904	4,738	414	10	26	84	120
<b>Total</b>	<b>340,123</b>	<b>29,628</b>	<b>5,901</b>	<b>375,652</b>	<b>124,604</b>	<b>4,553</b>	<b>338</b>	<b>1,347</b>	<b>2,008</b>	<b>3,693</b>
<b>31 December 2021</b>										
Personal	190,175	14,423	2,782	207,380	40,351	60	149	614	1,179	1,942
Mortgages	180,418	11,543	2,050	194,011	16,827	-	32	174	562	768
Credit cards	2,924	933	90	3,947	15,354	-	59	141	60	260
Other personal	6,833	1,947	642	9,422	8,170	60	58	299	557	914
Wholesale	140,649	19,558	2,240	162,447	83,231	4,254	153	864	847	1,864
Property	28,679	3,101	742	32,522	15,882	460	24	111	239	374
Financial institutions	52,263	732	46	53,041	16,906	992	14	39	4	57
Sovereign	5,904	121	8	6,033	1,212	-	19	1	2	22
Corporate	53,803	15,604	1,444	70,851	49,231	2,802	96	713	602	1,411
Of which:										
Airlines and aerospace	779	668	44	1,491	1,528	221	1	39	15	55
Automotive	5,133	1,304	38	6,475	3,507	65	9	32	10	51
Health	3,818	1,235	133	5,186	799	9	9	58	48	115
Land transport and logistics	3,721	833	39	4,593	3,069	188	4	53	12	69
Leisure	3,712	4,050	340	8,102	1,874	107	11	247	133	391
Oil and gas	1,482	141	52	1,675	1,126	453	1	14	28	43
Retail	6,380	1,342	180	7,902	4,872	410	8	29	66	103
<b>Total</b>	<b>330,824</b>	<b>33,981</b>	<b>5,022</b>	<b>369,827</b>	<b>123,582</b>	<b>4,314</b>	<b>302</b>	<b>1,478</b>	<b>2,026</b>	<b>3,806</b>

## Risk and capital management

### Credit risk continued

#### Sector analysis – portfolio summary continued

- **Personal** – Retail Banking was the main driver of balance sheet growth during the quarter. As noted earlier, growth was primarily in mortgages. Unsecured lending balances rose slightly in the quarter with higher demand for loans and increased consumer spending maintaining credit card balances during the quarter, although new business was still below pre-COVID-19 levels. As noted earlier, ECL in Stage 2 decreased due to continued subdued levels of portfolio deterioration, maintaining the reduced PD levels observed in Q4 2021. Furthermore, the new regulatory default definition implementation on 1 January 2022 resulted in a migration of Stage 2 assets into Stage 3. Overall ECL coverage requirements remained stable during Q1 2022 reflecting the balance of positive portfolio performance and economic uncertainty in the outlook due to inflation and cost of living pressures which may affect the affordability of NatWest Group customers. Affordability assumptions in lending criteria were refreshed during the quarter.
- **Wholesale** – In Wholesale, exposures were mainly in the UK. Balance sheet reduction due to repayments of both COVID-19 government support schemes and conventional borrowing during 2021 stabilised, with further reductions largely offset by additional lending across the portfolio.
- Scheduled repayment activity for government support schemes continued with the volumes of missed payments remaining in line with the average rate for scheme participants.
- When the government support schemes closed in 2021, approximately 317,000 applications across all schemes were approved, totalling £14.7 billion in new lending, of which, £13.4 billion was drawdown. £2.6 billion has been repaid to date.
- Oil and Gas reduction in drawn balances (Stage 1) reflected strategic exits aligned to NatWest Group’s climate change purpose and aims. Increases in off-balance sheet exposures reflected selective support for customers with climate change transition plans.
- Increases within Financial Institutions reflected fluctuations in treasury related management activities.
- Wholesale credit risk performance metrics continue to improve, contributing to a reduction in Stage 2 balances, but headwinds remain. The combination of supply chain, energy price and general inflationary pressures already in existence towards the end of 2021 have been exacerbated by the Russian invasion of Ukraine and point to a potentially more challenging outlook. Sector appetite continues to be regularly reviewed and, where appropriate, adjusted for those sectors most affected by current economic and geopolitical conditions.

## Risk and capital management

### Capital, liquidity and funding risk

#### Introduction

NatWest Group continually ensures a comprehensive approach is taken to the management of capital, liquidity and funding, underpinned by frameworks, risk appetite and policies, to manage and mitigate capital, liquidity and funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring that NatWest Group operates within its regulatory requirements and risk appetite.

#### Key developments since December 2021

<b>CET1 ratio</b>	<p>The CET1 ratio decreased by 300 basis points to 15.2%. The decrease is primarily due to a £19.8 billion increase in RWAs and a £1.7 billion decrease in CET1 capital.</p> <p>The CET1 decrease is mainly driven by:</p> <ul style="list-style-type: none"><li>– the directed buyback of £1.2 billion;</li><li>– foreseeable dividend accrual of £0.3 billion;</li><li>– a £0.2 billion decrease in the IFRS 9 transitional adjustment;</li><li>– the removal of adjustment for prudential amortisation on software development costs of £0.4 billion;</li><li>– a £0.3 billion decrease due to FX loss on retranslation on the redemption of a USD instrument; and</li><li>– other reserve movements.</li><li>– These reductions were partially offset by the £0.8 billion attributable profit in the period.</li></ul>
<b>Total RWAs</b>	<p>Total RWAs increased by £19.8 billion to £176.8 billion during the period mainly reflecting:</p> <ul style="list-style-type: none"><li>– An increase in credit risk RWAs of £20.3 billion due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022 and increased exposures within Commercial &amp; Institutional and Retail Banking. This was partially offset by improved risk metrics in Retail Banking and Commercial &amp; Institutional.</li><li>– Operational risk RWAs reduced by £1.9 billion following the annual recalculation.</li><li>– Market risk RWAs increased by £0.6 billion driven by an increase in the capital multiplier for NWM Plc impacting VaR and SVaR calculations.</li><li>– Counterparty credit risk RWAs increased by £0.9 billion mainly driven by the implementation of SA-CCR impacting the RWA calculation for the non-internal modelled exposure.</li></ul>
<b>UK leverage ratio</b>	<p>The UK leverage ratio decreased c.40 basis points to 5.5% driven by a £2.3 billion decrease in Tier 1 capital.</p>
<b>Liquidity portfolio</b>	<p>The liquidity portfolio decreased by £11.9 billion during Q1 2022 to £274.5 billion. Primary liquidity decreased by £7.4 billion to £201.1 billion primarily due to an increase in customer lending and share buyback. Secondary liquidity reduced by £4.5 billion mainly driven by mortgage redemptions and repayments.</p>

## Risk and capital management

### Capital, liquidity and funding risk continued

#### Maximum Distributable Amount (MDA) and Minimum Capital Requirements

NatWest Group is subject to minimum capital requirements relative to RWAs. The table below summarises the minimum capital requirements (the sum of Pillar 1 and Pillar 2A), and the additional capital buffers which are held in excess of the regulatory minimum requirements and are usable in stress.

Where the CET1 ratio falls below the sum of the minimum capital and the combined buffer requirement, there is a subsequent automatic restriction on the amount available to service discretionary payments (including AT1 coupons), known as the MDA. Note that different requirements apply to individual legal entities or sub-groups and that the table shown does not reflect any incremental PRA buffer requirements, which are not disclosable.

The current capital position provides significant headroom above both our minimum requirements and our MDA threshold requirements.

Type	CET1	Total Tier 1	Total capital
Pillar 1 requirements	4.5%	6.0%	8.0%
Pillar 2A requirements	1.8%	2.4%	3.2%
Minimum Capital Requirements	6.3%	8.4%	11.2%
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical capital buffer <sup>(1)</sup>	-	-	-
MDA threshold <sup>(2)</sup>	8.8%	n/a	n/a
Subtotal	8.8%	10.9%	13.7%
Capital ratios at 31 March 2022	15.2%	17.4%	20.4%
Headroom <sup>(3)</sup>	6.4%	6.5%	6.7%

(1) In response to COVID-19, many countries reduced their CCyB rates. In December 2021, the Financial Policy Committee announced an increase in the UK CCyB rate from 0% to 1%. This rate will come into effect from December 2022 in line with the 12 month implementation period. In March 2022, the Central Bank of Ireland announced that the countercyclical buffer on Irish exposures is to be maintained at 0%. Previously, the CBI did note that it expected a gradual rebuilding of the CCyB to commence in 2022 and, while this guidance remains, it notes that the current macro-financial outlook is subject to considerable uncertainty therefore will continue to be monitored closely.

(2) Pillar 2A requirements for NatWest Group are set on a nominal capital basis. The PRA has confirmed that from Q4 2022 Pillar 2A will be set as a variable amount with the exception of some fixed add-ons.

(3) The headroom does not reflect excess distributable capital and may vary over time.

## Risk and capital management

### Capital, liquidity and funding risk continued

#### Capital and leverage ratios

The table below sets out the key capital and leverage ratios. From 1 January 2022, NatWest Group are subject to the requirements set out in the PRA Rulebook, therefore going forward the capital and leverage ratios are being presented under these frameworks on a transitional basis.

	31 March 2022	31 December 2021	31 March 2021
<b>Capital adequacy ratios (1)</b>	%	%	%
CET1	15.2	18.2	18.2
Tier 1	17.4	21.0	21.9
Total	20.4	24.7	24.8
<b>Capital</b>	£m	£m	£m
Tangible equity	28,571	30,689	30,126
Prudential valuation adjustment	(297)	(274)	(436)
Deferred tax assets	(769)	(761)	(750)
Own credit adjustments	(27)	21	6
Pension fund assets	(476)	(465)	(570)
Cash flow hedging reserve	1,113	395	38
Foreseeable ordinary dividends	(1,096)	(846)	(547)
Foreseeable charges - on-market ordinary share buyback programme	(527)	(825)	-
Foreseeable pension contributions	-	(365)	-
Prudential amortisation of software development costs	-	411	524
Adjustments under IFRS 9 transitional arrangements	403	621	1,655
Insufficient coverage for non-performing exposures	(6)	(5)	-
Total deductions	(1,682)	(2,093)	(80)
CET1 capital	26,889	28,596	30,046
End-point AT1 capital	3,875	3,875	5,380
Grandfathered instrument transitional arrangements	-	571	710
Transitional AT1 capital	3,875	4,446	6,090
Tier 1 capital	30,764	33,042	36,136
End-point T2 capital	5,067	5,402	4,118
Grandfathered instrument transitional arrangements	213	304	673
Transitional Tier 2 capital	5,280	5,706	4,791
Total regulatory capital	36,044	38,748	40,927
<b>Risk-weighted assets</b>			
Credit risk	140,377	120,116	125,131
Counterparty credit risk	8,776	7,907	8,579
Market risk	8,550	7,917	9,962
Operational risk	19,115	21,031	21,031
Total RWAs	176,818	156,971	164,703
<b>Leverage</b>			
Cash and balances at central banks	168,783	177,757	140,347
Trading assets	64,950	59,158	65,558
Derivatives	100,013	106,139	122,955
Financial assets	416,677	412,817	418,290
Other assets	25,750	17,106	22,626
Assets of disposal groups	9,225	9,015	-
Total assets	785,398	781,992	769,776
Derivatives			
- netting and variation margin	(100,386)	(110,204)	(126,250)
- potential future exposures	21,412	35,035	38,279
Securities financing transactions gross up	2,838	1,397	3,249
Other off balance sheet items	43,986	44,240	43,734
Regulatory deductions and other adjustments	(16,310)	(8,980)	(14,535)
Claims on central banks	(165,408)	(174,148)	(137,685)
Exclusion of bounce back loans	(7,112)	(7,474)	(8,609)
UK leverage exposure	564,418	561,858	567,959
UK leverage ratio (%) (2)	5.5	5.9	6.4

For the notes to this table refer to the following page.

## Risk and capital management

### Capital, liquidity and funding risk continued

- (1) Based on current PRA rules, therefore includes the transitional relief on grandfathered capital instruments and the transitional arrangements for the capital impact of IFRS 9 expected credit loss (ECL) accounting. The impact of the IFRS 9 transitional adjustments at 31 March 2022 was £0.4 billion for CET1 capital, £44 million for total capital and £28 million RWAs (31 December 2021 - £0.6 billion CET1 capital, £0.5 billion total capital and £36 million RWAs, 31 March 2021 - £1.7 billion CET1 capital, £1.4 billion total capital and £135 million RWAs). Excluding these adjustments, the CET1 ratio would be 15.0% (31 December 2021 - 17.8%, 31 March 2021 - 17.2%). The transitional relief on grandfathered instruments at 31 March 2022 was £0.2 billion (31 December 2021 - £0.9 billion, 31 March 2021 - £1.4 billion). Excluding both the transitional relief on grandfathered capital instruments and the transitional arrangements for the capital impact of IFRS 9 expected credit loss (ECL) accounting, the end-point Tier 1 capital ratio would be 17.2% (31 December 2021 - 20.3%, 31 March 2021 - 20.5%) and the end-point Total capital ratio would be 20.2% (31 December 2021 - 23.8%, 31 March 2021 - 23.2%).
- (2) The UK leverage exposure is calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook, and transitional Tier 1 capital is calculated in accordance with the PRA Rulebook as explained in note 1 above. Excluding the IFRS 9 transitional adjustment, the UK leverage ratio would be 5.4% (31 December 2021 - 5.8%, 31 March 2021 - 6.1%).

### Capital flow statement

The table below analyses the movement in CET1, AT1 and Tier 2 capital for the three months ended 31 March 2022. Previously the NatWest Group capital flow statement was presented based on end-point CRR rules. It is being presented on a transitional basis as calculated under the PRA Rulebook Instrument requirements going forward.

	CET1 £m	AT1 £m	Tier 2 £m	Total £m
<b>At 31 December 2021</b>	<b>28,596</b>	<b>4,446</b>	<b>5,706</b>	<b>38,748</b>
Attributable profit for the period	841	-	-	841
Directed buyback	(1,212)	-	-	(1,212)
Foreseeable ordinary dividends	(250)	-	-	(250)
Foreign exchange reserve	37	-	-	37
FVOCI reserve	(162)	-	-	(162)
Own credit	(48)	-	-	(48)
Share capital and reserve movements in respect of employee share schemes	55	-	-	55
Goodwill and intangibles deduction	(462)	-	-	(462)
Deferred tax assets	(8)	-	-	(8)
Prudential valuation adjustments	(23)	-	-	(23)
End of 2021 transitional relief on grandfathered instruments	-	(571)	(232)	(803)
Net dated subordinated debt instruments	-	-	(158)	(158)
Foreign exchange movements	(254)	-	50	(204)
Adjustment under IFRS 9 transitional arrangements	(218)	-	-	(218)
Other movements	(3)	-	(86)	(89)
<b>At 31 March 2022</b>	<b>26,889</b>	<b>3,875</b>	<b>5,280</b>	<b>36,044</b>

- The decrease in CET1 capital is primarily due to the directed buyback of £1.2 billion, foreseeable dividend accrual of £0.3 billion, a £0.2 billion decrease in the IFRS 9 transitional adjustment, the removal of adjustment for prudential amortisation on software development costs of £0.4 billion, £0.3 billion due to FX loss on retranslation on the redemption of a USD instrument and other reserve movements in the period, partially offset by an attributable profit in the period of £0.8 billion.
- The AT1 and Tier 2 movements are primarily due to the end of the 2021 transitional relief on grandfathered instruments.



## Risk and capital management

### Capital, liquidity and funding risk continued

#### Risk-weighted assets

The table below analyses the movement in RWAs during the period, by key drivers.

	Credit risk £bn	Counterparty credit risk £bn	Market risk £bn	Operational risk £bn	Total £bn
At 31 December 2021	120.2	7.9	7.9	21.0	157.0
Foreign exchange movement	0.3	0.1	-	-	0.4
Business movement	1.6	0.4	0.9	(1.9)	1.0
Risk parameter changes	(1.1)	-	-	-	(1.1)
Methodology changes	0.2	0.4	-	-	0.6
Model updates	19.2	-	(0.3)	-	18.9
<b>At 31 March 2022</b>	<b>140.4</b>	<b>8.8</b>	<b>8.5</b>	<b>19.1</b>	<b>176.8</b>

The table below analyses segmental RWAs.

	Go-forward group					Ulster Bank Rol £m	Total NatWest Group £m
	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total excluding Ulster Bank Rol £m		
<b>Total RWAs</b>							
At 31 December 2021	36.7	11.3	98.1	1.8	147.9	9.1	157.0
Foreign exchange movement	-	-	0.4	-	0.4	-	0.4
Business movement	0.9	0.2	0.3	(0.2)	1.2	(0.2)	1.0
Risk parameter changes	(0.7)	-	(0.4)	-	(1.1)	-	(1.1)
Methodology changes	-	-	0.4	-	0.4	0.2	0.6
Model updates	15.3	-	1.5	-	16.8	2.1	18.9
<b>At 31 March 2022</b>	<b>52.2</b>	<b>11.5</b>	<b>100.3</b>	<b>1.6</b>	<b>165.6</b>	<b>11.2</b>	<b>176.8</b>
Credit risk	45.3	10.2	73.1	1.5	130.1	10.3	140.4
Counterparty credit risk	0.1	0.1	8.6	-	8.8	-	8.8
Market risk	0.1	-	8.4	-	8.5	-	8.5
Operational risk	6.7	1.2	10.2	0.1	18.2	0.9	19.1
Total RWAs	52.2	11.5	100.3	1.6	165.6	11.2	176.8

- Total RWAs increased to £176.8 billion during the period due to the following:
  - o Credit risk RWAs increased £20.3 billion due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022 in addition to increased exposures within Commercial & Institutional and Retail Banking. This was partially offset by improved risk metrics in Retail Banking and Commercial & Institutional.
  - o Operational risk RWAs reduced by £1.9 billion following the annual recalculation.
  - o Market risk RWAs increased by £0.6 billion driven by an increase in the capital multiplier for NWM Plc impacting VaR and SVaR calculations.
  - o Counterparty credit risk RWAs increased by £0.9 billion mainly driven by the implementation of SA-CCR impacting the RWA calculation for the non-internal modelled exposure.

## Risk and capital management

### Capital, liquidity and funding risk continued

#### Liquidity portfolio

The table below shows the liquidity portfolio by product, with primary liquidity aligned to internal stressed outflow coverage and regulatory liquidity coverage ratio (LCR) categorisation. Secondary liquidity comprises assets eligible for discount at central banks, which do not form part of the liquid asset portfolio for LCR or internal stressed outflow coverage purposes.

	Liquidity value		
	31 March 2022	31 December 2021	31 March 2021
	NatWest Group (1) £m	NatWest Group £m	NatWest Group £m
Cash and balances at central banks	<b>166,176</b>	174,328	137,410
AAA to AA- rated governments	<b>31,385</b>	31,073	29,406
A+ and lower rated governments	<b>105</b>	25	7
Government guaranteed issuers, public sector entities and government sponsored entities	<b>266</b>	307	250
International organisations and multilateral development banks	<b>3,087</b>	2,720	2,825
LCR level 1 bonds	<b>34,843</b>	34,125	32,488
LCR level 1 assets	<b>201,019</b>	208,453	169,898
LCR level 2 assets	<b>121</b>	117	114
Non-LCR eligible assets	-	-	-
Primary liquidity	<b>201,140</b>	208,570	170,012
Secondary liquidity (2)	<b>73,370</b>	77,849	92,665
Total liquidity value	<b>274,510</b>	286,419	262,677

(1) NatWest Group includes the UK Domestic Liquidity Sub-Group (NWB Plc, RBS plc and Coutts & Co), NatWest Markets Plc and other significant operating subsidiaries that hold liquidity portfolios. These include The Royal Bank of Scotland International Limited, NWM N.V. and Ulster Bank Ireland DAC who hold managed portfolios that comply with local regulations that may differ from PRA rules.

(2) Comprises assets eligible for discounting at the Bank of England and other central banks.

## Condensed consolidated income statement for the period ended 31 March 2022 (unaudited)

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Interest receivable	2,448	2,345	2,282
Interest payable	(403)	(403)	(418)
<b>Net interest income</b>	<b>2,045</b>	<b>1,942</b>	<b>1,864</b>
Fees and commissions receivable	694	724	644
Fees and commissions payable	(149)	(149)	(141)
Income from trading activities	362	(3)	160
Other operating income	75	108	64
<b>Non-interest income</b>	<b>982</b>	<b>680</b>	<b>727</b>
<b>Total income</b>	<b>3,027</b>	<b>2,622</b>	<b>2,591</b>
Staff costs	(901)	(915)	(974)
Premises and equipment	(251)	(368)	(248)
Other administrative expenses	(471)	(735)	(377)
Depreciation and amortisation	(197)	(310)	(205)
<b>Operating expenses</b>	<b>(1,820)</b>	<b>(2,328)</b>	<b>(1,804)</b>
<b>Profit before impairment releases</b>	<b>1,207</b>	<b>294</b>	<b>787</b>
Impairment releases	38	341	98
<b>Operating profit before tax</b>	<b>1,245</b>	<b>635</b>	<b>885</b>
Tax charge	(386)	(234)	(233)
<b>Profit from continuing operations</b>	<b>859</b>	<b>401</b>	<b>652</b>
<b>Profit from discontinued operations, net of tax</b>	<b>42</b>	<b>97</b>	<b>61</b>
<b>Profit for the period</b>	<b>901</b>	<b>498</b>	<b>713</b>
<b>Attributable to:</b>			
Ordinary shareholders	841	434	620
Preference shareholders	-	5	5
Paid-in equity holders	59	58	87
Non-controlling interests	1	1	1
	<b>901</b>	<b>498</b>	<b>713</b>
Earnings per ordinary share - continuing operations	7.1p	3.0p	4.6p
Earnings per ordinary share - discontinued operations	0.4p	0.8p	0.5p
Total earnings per share attributable to ordinary shareholders - basic	7.5p	3.8p	5.1p
Earnings per ordinary share - fully diluted continuing operations	7.1p	3.0p	4.6p
Earnings per ordinary share - fully diluted discontinued operations	0.4p	0.8p	0.5p
Total earnings per share attributable to ordinary shareholders - fully diluted	7.5p	3.8p	5.1p

Condensed consolidated statement of comprehensive income  
for the period ended 31 March 2022 (unaudited)

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
<b>Profit for the period</b>	<b>901</b>	<b>498</b>	<b>713</b>
<b>Items that do not qualify for reclassification</b>			
Remeasurement of retirement benefit schemes (1)	(508)	71	(508)
Changes in fair value of credit in financial liabilities designated at fair value through profit or loss (FVTPL) due to own credit risk	39	-	(7)
Fair value through other comprehensive income (FVOCI) financial assets	9	2	1
Tax (1)	122	(21)	137
	<b>(338)</b>	<b>52</b>	<b>(377)</b>
<b>Items that do qualify for reclassification</b>			
FVOCI financial assets	(238)	45	(118)
Cash flow hedges	(983)	(238)	(358)
Currency translation	35	(115)	(343)
Tax	339	83	113
	<b>(847)</b>	<b>(225)</b>	<b>(706)</b>
<b>Other comprehensive loss after tax</b>	<b>(1,185)</b>	<b>(173)</b>	<b>(1,083)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(284)</b>	<b>325</b>	<b>(370)</b>
<b>Attributable to:</b>			
Ordinary shareholders	(345)	261	(463)
Preference shareholders	-	5	5
Paid-in equity holders	59	58	87
Non-controlling interests	2	1	1
	<b>(284)</b>	<b>325</b>	<b>(370)</b>

(1) Following the purchase of ordinary shares in Q1 2022, NatWest Group plc contributed £500 million to its main pension scheme in line with the memorandum of understanding announced on 17 April 2018. After tax relief, this contribution reduced total equity by £365 million.

## Condensed consolidated balance sheet as at 31 March 2022 (unaudited)

	31 March 2022 £m	31 December 2021 £m
<b>Assets</b>		
Cash and balances at central banks	168,783	177,757
Trading assets	64,950	59,158
Derivatives	100,013	106,139
Settlement balances	10,505	2,141
Loans to banks - amortised cost	7,063	7,682
Loans to customers - amortised cost	365,340	358,990
Other financial assets	44,274	46,145
Intangible assets	6,774	6,723
Other assets	8,471	8,242
Assets of disposal groups	9,225	9,015
<b>Total assets</b>	<b>785,398</b>	<b>781,992</b>
<b>Liabilities</b>		
Bank deposits	21,975	26,279
Customer deposits	482,887	479,810
Settlement balances	9,602	2,068
Trading liabilities	71,559	64,598
Derivatives	95,310	100,835
Other financial liabilities	47,809	49,326
Subordinated liabilities	8,216	8,429
Notes in circulation	2,999	3,047
Other liabilities	5,797	5,797
<b>Total liabilities</b>	<b>746,154</b>	<b>740,189</b>
<b>Equity</b>		
Ordinary shareholders' interests	35,345	37,412
Other owners' interests	3,890	4,384
<b>Owners' equity</b>	<b>39,235</b>	<b>41,796</b>
Non-controlling interests	9	7
<b>Total equity</b>	<b>39,244</b>	<b>41,803</b>
<b>Total liabilities and equity</b>	<b>785,398</b>	<b>781,992</b>

Condensed consolidated statement of changes in equity  
for the period ended 31 March 2022 (unaudited)

	Share capital and statutory reserves (1) £m	Paid-in equity £m	Retained earnings £m	Other reserves* £m	Total owners' equity £m	Non controlling interests £m	Total equity £m
At 1 January 2022	12,980	3,890	12,966	11,960	41,796	7	41,803
Profit attributable to ordinary shareholders and other equity owners							
- continuing operations			858		858	1	859
- discontinued operations			42		42		42
Other comprehensive income							
- Realised gains in period on FVOCI equity shares			1	(1)	-		-
- Remeasurement of retirement benefit schemes (2)			(508)		(508)		(508)
- Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk			39		39		39
- Unrealised losses: FVOCI				(187)	(187)		(187)
- Amounts recognised in equity: cash flow hedges				(911)	(911)		(911)
- Foreign exchange reserve movement				34	34	1	35
- Amount transferred from equity to earnings				(113)	(113)		(113)
- Tax			126	335	461		461
Paid-in equity dividends paid			(59)		(59)		(59)
Shares repurchased during the period (3,4)	-		(1,522)		(1,522)		(1,522)
Shares and securities issued during the period	-		3		3		3
Reclassification of preference shares (5)			(750)		(750)		(750)
Share-based payments			(15)		(15)		(15)
Movement in own shares held	67				67		67
<b>At 31 March 2022</b>	<b>13,047</b>	<b>3,890</b>	<b>11,181</b>	<b>11,117</b>	<b>39,235</b>	<b>9</b>	<b>39,244</b>

	31 March 2022 £m
<b>Attributable to:</b>	
Ordinary shareholders	35,345
Preference shareholders	-
Paid-in equity holders	3,890
Non-controlling interests	9
	<b>39,244</b>
<b>*Other reserves consists of:</b>	
Merger reserve	10,881
FVOCI reserve	107
Cash flow hedging reserve	(1,113)
Foreign exchange reserve	1,242
	<b>11,117</b>

- (1) Share capital and statutory reserves includes share capital, share premium, capital redemption reserve and own shares held.
- (2) Following the purchase of ordinary shares in Q1 2022, NatWest Group plc contributed £500 million to its main pension scheme in line with the memorandum of understanding announced on 17 April 2018. After tax relief, this contribution reduced total equity by £365 million.
- (3) In March 2022, there was an agreement with HM Treasury to buy 549.9 million ordinary shares in NatWest Group plc from UK Government Investments Ltd, at 220.5 pence per share for the total consideration of £1.22 billion. NatWest Group cancelled all 549.9 million of the purchased ordinary shares. The nominal value of the share cancellation has been transferred to the capital redemption reserve.
- (4) NatWest Group plc repurchased and cancelled 150.7 million shares for total consideration of £337.7 million excluding fees in Q1 2022, as part of the On Market Share Buyback Programme. Of the 150.7 million shares bought back, 15.9 million shares were settled and cancelled in April 2022. The nominal value of the share cancellations has been transferred to the capital redemption reserve.
- (5) Following an announcement of a Regulatory Call in February 2022, the Series U preference shares were reclassified to liabilities. A £254 million loss was recognised in P&L reserves as a result of FX unlocking.

## Notes

### 1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Group plc's 2021 Annual Report and Accounts which has been prepared in accordance with UK-adopted International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the European Union.

#### Going concern

Having reviewed NatWest Group's principal risks, forecasts, projections and other relevant evidence, the directors have a reasonable expectation that NatWest Group will continue in operational existence for a period of twelve months from the date the condensed consolidated financial statements are approved. Accordingly, the results for the period ended 31 March 2022 have been prepared on a going concern basis.

### 2. Accounting policies

NatWest Group's principal accounting policies are as set out on pages 307 to 312 of NatWest Group plc's 2021 Annual Report and Accounts. Amendments to IFRS effective from 1 January 2022 had no material effect on the condensed consolidated financial statements.

#### Critical accounting policies and key sources of estimation uncertainty

The judgments and assumptions that are considered to be the most important to the portrayal of NatWest Group's financial condition are those relating to deferred tax, fair value of financial instruments, loan impairment provisions, goodwill and provisions for liabilities and charges. These critical accounting policies and judgments are noted on page 311 of NatWest Group plc's 2021 Annual Report and Accounts. Management's consideration of uncertainty is outlined in the relevant sections of NatWest Group plc's 2021 Annual Report and Accounts, including the ECL estimate for the period in the Risk and capital management section contained in NatWest Group plc's 2021 Annual Report and Accounts.

#### Information used for significant estimates

Uncertainty with respect to the prolonged financial effect of the COVID-19 pandemic and the Russian invasion of Ukraine continues to cause significant economic and social disruption. Specifically, there continues to be uncertainty as to the indirect impacts on NatWest Group due to the Russian invasion of Ukraine and related consequences for geopolitical stability, energy supply and prices, and cross-border financial transactions, including as a result of economic sanctions. Key financial estimates are based on management's latest five-year revenue and cost forecasts. Measurement of goodwill, deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. Other reasonably possible assumptions about the future include a prolonged financial effect of the COVID-19 pandemic on the economy of the UK and other countries or greater economic effect as countries and companies implement plans to counter climate risks. Changes in judgments and assumptions could result in a material adjustment to those estimates in future reporting periods. (Refer to the Risk factors in NatWest Group plc's 2021 Annual Report and Accounts).

## Notes

### 3. Discontinued operations and assets and liabilities of disposal groups

Two legally binding agreements for the sale of UBIDAC business were announced in 2021 as part of the phased withdrawal from the Republic of Ireland:

On 28 June 2021 NatWest Group announced it had agreed a binding sale agreement with Allied Irish Banks, p.l.c. for the transfer of c.€4.2 billion (plus up to €2.8 billion of undrawn exposures), of performing commercial loans as well as those c.280 colleagues who are wholly or mainly assigned to supporting that part of the business, with the final number of roles to be confirmed as the deal completes. On 28 April 2022, approval was received from the Irish competition authority (the CCPC) in relation to this sale, which is expected to be completed in a series of transactions during 2022 and Q1 2023.

On the 17 December 2021 NatWest Group signed a legally binding agreement with Permanent TSB p.l.c. (PTSB). The proposed sale will include performing non-tracker mortgages, the performing loans in the micro-SME business; the UBIDAC Asset Finance business, including its Lombard digital platform, and 25 Ulster Bank branch locations in the Republic of Ireland. The majority of loans are expected to transfer by Q4 2022. As part of the transaction it is anticipated that c.450 colleagues will have the right to transfer under the TUPE regulations, with the final number of roles to be confirmed as the deal completes. This sale remains subject to obtaining competition, regulatory and other approvals, including PTSB's holding company shareholder approval, and other conditions being satisfied.

The business activities relating to these sales that meet the requirements of IFRS 5 are presented as a discontinued operation and as a disposal group at 31 March 2022. Comparative results for the quarter ended 31 March 2021 have been re-presented from those previously published to reclassify certain items as discontinued operations. The Ulster Bank RoI operating segment continues to be reported separately and reflects the results and balance sheet position of its continuing operations.

#### (a) Profit from discontinued operations, net of tax

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Net interest income	60	62	67
Non-interest income	(1)	4	1
Total income	59	66	68
Operating expenses	(11)	(14)	(11)
Profit before impairment (losses)/releases	48	52	57
Impairment (losses)/releases	(6)	45	4
Operating profit before tax	42	97	61
Tax charge	-	-	-
Profit from discontinued operations, net of tax	42	97	61

#### (b) Assets and liabilities of disposal groups

	As at	
	31 March 2022 £m	31 December 2021 £m
Assets of disposal groups		
Loans to customers - amortised cost	9,215	9,002
Derivatives	2	5
Other assets	8	8
	9,225	9,015
Liabilities of disposal groups		
Other liabilities	5	5
	5	5
Net assets of disposal groups	9,220	9,010



## Notes

### 4. Litigation and regulatory matters

NatWest Group plc's 2021 Annual Report and Accounts, issued on 18 February 2022, included disclosures about NatWest Group's litigation and regulatory matters in Note 27. Set out below are the material developments in those matters (which have all been previously disclosed) since publication of the 2021 Annual Report and Accounts.

#### Litigation

##### Residential mortgage-backed securities (RMBS) litigation in the US

NWMSI agreed to settle a purported RMBS class action entitled *New Jersey Carpenters Health Fund v. Novastar Mortgage Inc. et al.* for US\$55.3 million. This was paid into escrow pending court approval of the settlement, which was granted in March 2019, but which then became the subject of an appeal by a class member who wanted to exit the settlement. On 14 March 2022, the United States Court of Appeals for the Second Circuit rejected that class member's appeal.

##### London Interbank Offered Rate (LIBOR) and other rates litigation

NatWest Group plc is a defendant in a class action pending in the United States District Court for the Southern District of New York (SDNY) on behalf of lender plaintiffs who allege that NatWest Group plc and other defendants engaged in fraud by artificially suppressing USD LIBOR. On 25 February 2022, the United States Court of Appeals for the Second Circuit reversed the SDNY's prior dismissal of the case, holding that the plaintiffs have adequately alleged the court's jurisdiction over the defendants. The claim will now proceed in the SDNY.

NatWest Group companies are defendants in class actions pending in the SDNY relating to alleged manipulation of the Singapore Interbank Offered Rate and Singapore Swap Offer Rate ('SIBOR / SOR') and the Australian Bank Bill Swap Reference Rate. In March 2022, agreements in principle were reached to settle both cases. The amounts of the settlements, which remain subject to final documentation and court approval, are covered by existing provisions.

##### FX litigation

An FX-related class action, on behalf of 'consumers and end-user businesses', is pending in the SDNY against NWM Plc and others. On 18 March 2022, the SDNY denied the plaintiffs' motion for class certification. Plaintiffs are seeking to appeal the decision.

Two separate FX-related applications seeking opt-out collective proceedings orders were filed in the UK Competition Appeal Tribunal (CAT) against NatWest Group plc, NWM Plc and other banks. On 31 March 2022, the CAT declined to certify as collective proceedings either of the applications, ruling that the opt-out basis on which they were brought was inappropriate. The CAT granted each applicant three months to revise their application for certification on an opt-in basis, if they wish to proceed. The applicants have stated that they intend to appeal the judgment.

##### Government securities antitrust litigation

NWMSI and certain other US broker-dealers are defendants in a consolidated antitrust class action in the SDNY on behalf of persons who transacted in US Treasury securities or derivatives based on such instruments, including futures and options. The plaintiffs allege that defendants rigged the US Treasury securities auction bidding process to deflate the prices at which they bought such securities and colluded to increase the prices at which they sold such securities to plaintiffs. On 31 March 2022, the SDNY dismissed the operative complaint, without leave to re-plead. The dismissal is subject to appeal.

NWM Plc, NWMSI and other banks are defendants in a class action antitrust case in the SDNY in respect of Euro-denominated bonds issued by European central banks (EGBs). The complaint alleges a conspiracy among dealers of EGBs, between 2007 and 2012, to widen the bid-ask spreads they quoted to customers, thereby increasing the prices customers paid for the EGBs or decreasing the prices at which customers sold the bonds. On 14 March 2022, the SDNY dismissed the claims against NWM Plc and NWMSI in the operative complaint on the ground that the complaint's conspiracy allegations are insufficient. The plaintiffs have indicated that they intend to file an amended complaint.

#### Regulatory matters

##### Systematic Anti-Money Laundering Programme assessment

In January 2022, NatWest Group received the Skilled Person's final report in connection with governance arrangements for two financial crime change programmes in respect of which the Skilled Person had been appointed under section 166 of the Financial Services and Markets Act 2000 to provide assurance. The FCA confirmed in March 2022 that the section 166 review has now concluded.

### 5. Post balance sheet events

On 28 April 2022, approval was received from the Irish competition authority (the CCPC) in relation to the agreement with AIB for the sale of UBIDAC's commercial lending portfolio.

Additionally, we have entered into exclusive discussions with AIB for the sale of UBIDAC's performing tracker (and linked) mortgage portfolio.

Other than as disclosed there have been no significant events between 31 March 2022 and the date of approval of these accounts that would require a change to or additional disclosure in the condensed consolidated financial statements.

## Additional information

### Presentation of information

'Parent company' refers to NatWest Group plc and 'NatWest Group' and 'we' refers to NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited ('NWH') and its subsidiary and associated undertakings. The term 'NatWest Markets Group' or 'NWM Group' refers to NatWest Markets Plc ('NWM Plc') and its subsidiary and associated undertakings. The term 'NWM N.V.' refers to NatWest Markets N.V. The term 'NWMSI' refers to NatWest Markets Securities, Inc. The term 'RBS plc' refers to The Royal Bank of Scotland plc. The term 'NWB Plc' refers to National Westminster Bank Plc. The term 'UBIDAC' refers to Ulster Bank Ireland DAC. 'Go-forward group' excludes Ulster Bank Rol and discontinued operations.

NatWest Group publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling, respectively, and references to 'pence' or 'p' represent pence where the amounts are denominated in pounds sterling ('GBP'). Reference to 'dollars' or '\$' are to United States of America ('US') dollars. The abbreviations '\$m' and '\$bn' represent millions and thousands of millions of dollars, respectively. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

### Statutory results

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2021 will be filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

### Q1 2022 segmental re-organisation

On 27 January 2022, NatWest Group announced that a new franchise, Commercial & Institutional, would be created, bringing together the Commercial, NatWest Markets and RBSI businesses to form a single franchise, with common management and objectives, to best support our customers across the full non-personal customer lifecycle. Comparatives have been re-presented in this document. Refer to the re-segmentation document published on 22 April 2022 for further details. The re-presentation of operating segments does not change the consolidated financial results of NatWest Group.

### Ulster Bank Rol

#### Continuing operations

Two legally binding agreements for the sale of the UBIDAC business were announced in 2021 as part of the phased withdrawal from the Republic of Ireland: the sale of commercial lending to Allied Irish Banks p.l.c. (AIB) and the performing non-tracker mortgages, performing micro-SME loans, UBIDAC's asset finance business and 25 of its branch locations to Permanent TSB plc. (PTSB). The business activities relating to these sales that meet the requirements of IFRS 5 are presented as a discontinued operation and as a disposal group on 31 March 2022. Comparative results for the quarter ended 31 March 2021 have been re-presented from those previously published to reclassify certain items as discontinued operations. The Business performance summary presents the results of the Group's continuing operations. For further details refer to Note 3 on page 31.

### MAR – Inside Information

This announcement contains information that qualified or may have qualified as inside information for NatWest Group plc, for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. This announcement is made by Alexander Holcroft, Head of Investor Relations for NatWest Group plc.

### Contacts

Analyst enquiries: Alexander Holcroft, Investor Relations

Media enquiries: NatWest Group Press Office

	<b>Management presentation</b>
<b>Date:</b>	29 April 2022
<b>Time:</b>	9am UK time
<b>Zoom ID:</b>	913 9426 3599

Available on [www.natwestgroup.com/results](http://www.natwestgroup.com/results)

- Q1 2022 Interim Management Statement and slides.
- A financial supplement containing income statement, balance sheet and segment performance for the quarter ended 31 March 2022.
- NatWest Group and NWH Group Pillar 3 supplements.
- Segmental Reporting Re-segmentation Financial Supplement (published 22 April 2022).

## Forward looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Group plc in respect of, but not limited to: the impact of the COVID-19 pandemic, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of its purpose-led strategy, its ESG and climate-related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and IBOR rates to alternative risk free rates and NatWest Group's exposure to economic and political risks (including with respect to terms surrounding Brexit and climate change), operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the impact of the COVID-19 pandemic, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs (including with respect to goodwill), legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions and the impact of climate-related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Group plc's actual results are discussed in NatWest Group plc's UK 2021 Annual Report and Accounts (ARA), NatWest Group plc's Interim Results for Q1 2022 and NatWest Group plc's filings with the US Securities and Exchange Commission, including, but not limited to, NatWest Group plc's most recent Annual Report on Form 20-F and Reports on Form 6-K. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Group plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

Legal Entity Identifier: 2138005O9XJJN4JPN90



# Appendix

## Non-IFRS financial measures

## Non-IFRS financial measures

NatWest Group prepares its financial statements in accordance with generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS performance measures. These measures are adjusted for notable and other defined items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. The non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. The non-IFRS measures also include the calculation of metrics that are used throughout the banking industry. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures.

### Non-IFRS financial measures

#### 1. Adjustment for notable items

Go-forward group income excluding notable items is calculated as total income excluding Ulster Bank Rol total income and excluding notable items.

The exclusion of notable items aims to remove the impact of one-offs which may distort period-on-period comparisons.

Refer to pages 3, 4 and 11 to 13 for further details.

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Continuing operations			
Total income	3,027	2,622	2,591
Less Ulster Bank Rol total income	(40)	(43)	(56)
Go-forward group income	2,987	2,579	2,535
Less notable items	(224)	(62)	9
Go-forward group income excluding notable items	2,763	2,517	2,544

#### 2. Other operating expenses

Other operating expenses is calculated as total operating expenses less litigation and conduct costs. Other operating expenses of the Go-forward group excludes Ulster Bank Rol.

Our cost target for 2022 is based on this measure and we track progress against it.

Refer to pages 3, 4 and 11 to 13 for further details.

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Continuing operations			
Total operating expenses	1,820	2,328	1,804
Less litigation and conduct costs	(102)	(190)	(16)
Other operating expenses	1,718	2,138	1,788
Less Ulster Bank Rol other operating expenses	(113)	(104)	(105)
Go-forward group other operating expenses	1,605	2,034	1,683

## Non-IFRS financial measures

### 3. Operating expenses - management view

The management analysis of operating expenses shows litigation and conduct costs on a separate line. These amounts are included within staff costs and other administrative expenses in the statutory analysis.

Other operating expenses excludes litigation and conduct costs, which are more volatile and may distort comparisons with prior periods.

Refer to page 26 for further details.

#### Non-statutory analysis

	Quarter ended		
	31 March 2022		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Continuing operations			
Staff costs	7	894	901
Premises and equipment	-	251	251
Other administrative expenses	95	376	471
Depreciation and amortisation	-	197	197
<b>Total</b>	<b>102</b>	<b>1,718</b>	<b>1,820</b>

	Quarter ended		
	31 December 2021		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Continuing operations			
Staff costs	-	915	915
Premises and equipment	-	368	368
Other administrative expenses	190	545	735
Depreciation and amortisation	-	310	310
<b>Total</b>	<b>190</b>	<b>2,138</b>	<b>2,328</b>

	Quarter ended		
	31 March 2021		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Continuing operations			
Staff costs	-	974	974
Premises and equipment	-	248	248
Other administrative expenses	16	361	377
Depreciation and amortisation	-	205	205
<b>Total</b>	<b>16</b>	<b>1,788</b>	<b>1,804</b>

## Non-IFRS financial measures

### 4. Cost:income ratio

The cost:income ratio is calculated as total operating expenses less operating lease depreciation divided by total income less operating lease depreciation.

This is a common metric used to compare profitability across the banking industry.

Refer to pages 3, 6 to 8 and 11 to 13 for further details.

	Go-forward group				Total excluding Ulster Bank Rol	Ulster Bank Rol	Total NatWest Group
	Retail Banking	Private Banking	Commercial & Institutional	Central items & other			
	£m	£m	£m	£m	£m	£m	£m
<b>Quarter ended 31 March 2022</b>							
Continuing operations							
Operating expenses	(645)	(139)	(922)	(1)	(1,707)	(113)	(1,820)
Operating lease depreciation	-	-	32	-	32	-	32
Adjusted operating expenses	(645)	(139)	(890)	(1)	(1,675)	(113)	(1,788)
Total income	1,217	216	1,375	179	2,987	40	3,027
Operating lease depreciation	-	-	(32)	-	(32)	-	(32)
Adjusted total income	1,217	216	1,343	179	2,955	40	2,995
Cost:income ratio	53.0%	64.4%	66.3%	nm	56.7%	nm	59.7%

### Quarter ended 31 December 2021

Continuing operations							
Operating expenses	(774)	(155)	(1,059)	(209)	(2,197)	(131)	(2,328)
Operating lease depreciation	-	-	34	-	34	-	34
Adjusted operating expenses	(774)	(155)	(1,025)	(209)	(2,163)	(131)	(2,294)
Total income	1,164	253	1,168	(6)	2,579	43	2,622
Operating lease depreciation	-	-	(34)	-	(34)	-	(34)
Adjusted total income	1,164	253	1,134	(6)	2,545	43	2,588
Cost:income ratio	66.5%	61.3%	90.4%	nm	85.0%	nm	88.6%

### Quarter ended 31 March 2021

Continuing operations							
Operating expenses	(587)	(121)	(915)	(67)	(1,690)	(114)	(1,804)
Operating lease depreciation	-	-	35	-	35	-	35
Adjusted operating expenses	(587)	(121)	(880)	(67)	(1,655)	(114)	(1,769)
Total income	1,056	185	1,253	41	2,535	56	2,591
Operating lease depreciation	-	-	(35)	-	(35)	-	(35)
Adjusted total income	1,056	185	1,218	41	2,500	56	2,556
Cost:income ratio	55.6%	65.4%	72.3%	nm	66.2%	nm	69.2%

## Non-IFRS financial measures

### 5. NatWest Group return on tangible equity

Return on tangible equity comprises annualised profit or loss for the period attributable to ordinary shareholders divided by average tangible equity. Average tangible equity is average total equity excluding average non-controlling interests, average other owners equity and average intangible assets.

Go-forward group return on tangible equity is calculated as annualised profit for the period less Ulster Bank RoI divided by Go-forward group total tangible equity. Go forward RWAE applying factor is the Go-forward group average RWAE as a percentage of total Natwest Group average RWAE.

This measure shows the return NatWest Group generates on tangible equity deployed. It is used to determine relative performance of banks and used widely across the sector, although different banks may calculate the rate differently.

Refer to pages 3 and 11 to 13 for further details.

	Quarter ended or as at		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
<b>NatWest Group return on tangible equity</b>			
Profit attributable to ordinary shareholders	841	434	620
Annualised profit attributable to ordinary shareholders	3,364	1,736	2,480
Average total equity	40,934	41,887	43,566
Adjustment for other owners' equity and intangibles	(11,067)	(10,719)	(12,333)
Adjusted total tangible equity	29,867	31,168	31,233
Return on tangible equity	11.3%	5.6%	7.9%
<b>Go-forward group return on tangible equity</b>			
Profit attributable to ordinary shareholders	841	434	620
Less Ulster Bank RoI loss from continuing operations, net of tax	42	73	59
Less profit from discontinued operations	(42)	(97)	(61)
Go-forward group profit attributable to ordinary shareholders	841	410	618
Annualised go-forward group profit attributable to ordinary shareholders	3,364	1,640	2,472
Average total equity	40,934	41,887	43,566
Adjustment for other owners' equity and intangibles	(11,067)	(10,719)	(12,333)
Adjusted total tangible equity	29,867	31,168	31,233
Go-forward group RWAE applying factor	95%	94%	93%
Go-forward group total tangible equity	28,374	29,298	29,047
Go-forward group return on tangible equity	11.9%	5.6%	8.5%



## Non-IFRS financial measures

### 6. Segmental return on equity

Segmental return on equity comprises segmental operating profit or loss, adjusted for preference share dividends and tax, divided by average notional tangible equity. Average RWAe is defined as average segmental RWAs incorporating the effect of capital deductions. This is multiplied by an allocated equity factor for each segment to calculate the average notional tangible equity.

This measure shows the return generated by operating segments on equity deployed.

Refer to pages 6 to 8 and 11 to 13 for further details.

	Retail Banking	Private Banking	Commercial & Institutional
<b>Quarter ended 31 March 2022</b>			
Operating profit (£m)	567	82	464
Preference share cost allocation (£m)	(20)	(3)	(46)
Adjustment for tax (£m)	(153)	(22)	(105)
Adjusted attributable profit (£m)	394	57	314
Annualised adjusted attributable profit (£m)	1,576	228	1,256
Average RWAe (£bn)	52.6	11.4	102.0
Equity factor (%)	13.0%	11.0%	14.0%
RWAe applying equity factor (£bn)	6.8	1.3	14.3
Return on equity (%)	23.1%	18.2%	8.8%

### Quarter ended 31 December 2021

Operating profit (£m)	385	110	426
Preference share cost allocation (£m)	(20)	(5)	(59)
Adjustment for tax (£m)	(102)	(29)	(92)
Adjusted attributable profit (£m)	263	76	275
Annualised adjusted attributable profit (£m)	1,052	302	1,100
Average RWAe (£bn)	36.9	11.3	101.0
Equity factor (%)	14.5%	12.5%	13.0%
RWAe applying equity factor (£bn)	5.3	1.4	13.1
Return on equity (%)	19.7%	21.3%	8.3%

### Quarter ended 31 March 2021

Operating profit (£m)	435	64	463
Preference share cost allocation (£m)	(20)	(5)	(59)
Adjustment for tax (£m)	(116)	(17)	(101)
Adjusted attributable profit (£m)	299	42	303
Annualised adjusted attributable profit (£m)	1,196	170	1,212
Average RWAe (£bn)	35.8	11.0	110.2
Equity factor (%)	14.5%	12.5%	13.0%
RWAe applying equity factor (£bn)	5.2	1.4	14.3
Return on equity (%)	23.0%	12.4%	8.5%

### 7. Tangible equity

Tangible equity is ordinary shareholders' interest less intangible assets. TNAV per ordinary share is calculated as tangible equity divided by the number of ordinary shares in issue.

This is a measure used by external analysts in valuing the bank and the starting point for calculating regulatory capital.

Refer to page 3 for further details.

	Year ended or as at		
	31 March 2022	31 December 2021	31 March 2021
Ordinary shareholders' interests (£m)	35,345	37,412	36,792
Less intangible assets (£m)	(6,774)	(6,723)	(6,666)
Tangible equity (£m)	28,571	30,689	30,126
Ordinary shares in issue (millions)	10,622	11,272	11,560
TNAV per ordinary share (pence)	269p	272p	261p

## Non-IFRS financial measures

### 8. Bank net interest margin

Bank net interest margin is defined as annualised net interest income of the Go-forward group, as a percentage of bank average interest-earning assets. Bank average interest earning assets are the average interest earning assets of the banking business of the Go-forward group excluding liquid asset buffer.

Liquid asset buffer consists of assets held by NatWest Group, such as cash and balances at central banks and debt securities in issue, that can be used to ensure repayment of financial obligations as they fall due. The exclusion of liquid asset buffer has been introduced as a way to present net interest margin on a basis more comparable with UK peers and exclude the impact of regulatory driven factors.

Refer to pages 3, 6 to 8 and 11 to 13 for further details.

	Quarter ended or as at		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
<b>Go-forward group</b>			
Continuing operations			
NatWest Group net interest income	2,045	1,942	1,864
Less Ulster Bank RoI net interest income	(22)	(23)	(27)
Bank net interest income	2,023	1,919	1,837
Annualised NatWest Group net interest income	8,294	7,705	7,560
Annualised Bank net interest income	8,204	7,613	7,450
Average interest earning assets (IEA)	549,298	551,577	502,515
Less Ulster Bank RoI average IEA	(7,185)	(7,672)	(7,958)
Less liquid asset buffer average IEA	(208,764)	(214,412)	(173,694)
Bank average IEA	333,349	329,493	320,863
Bank net interest margin	2.46%	2.31%	2.32%

	Quarter ended or as at		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
<b>Retail Banking</b>			
Net interest income	1,112	1,057	973
Annualised net interest income	4,510	4,194	3,946
Retail Banking average IEA	185,531	183,541	175,346
Less liquid asset buffer average IEA	-	-	-
Adjusted Retail Banking average IEA	185,531	183,541	175,346
Retail Banking net interest margin	2.43%	2.28%	2.25%

<b>Private Banking</b>			
Net interest income	143	126	115
Annualised net interest income	580	500	466
Private Banking average IEA	18,867	18,721	17,689
Less liquid asset buffer average IEA	-	-	-
Adjusted Private Banking average IEA	18,867	18,721	17,689
Private Banking net interest margin	3.07%	2.67%	2.64%

<b>Commercial &amp; Institutional</b>			
Net interest income	803	764	725
Annualised adjusted net interest income	3,257	3,031	2,940
Commercial & Institutional average IEA	164,487	168,047	163,594
Less liquid asset buffer average IEA	(43,502)	(47,668)	(41,040)
Adjusted Commercial & Institutional average IEA	120,985	120,379	122,554
Commercial & Institutional net interest margin	2.69%	2.52%	2.40%

## Non-IFRS financial measures

### 9. Net lending

NatWest Group net lending is calculated as total loans to customers less loan impairment provisions. Go-forward group net lending is calculated as net loans to customers less Ulster Bank RoI net loans to customers.

Refer to page 3 for further details.

	As at		
	31 March 2022 £bn	31 December 2021 £bn	31 March 2021 £bn
Total loans to customers (amortised cost)	368.9	362.8	364.3
Less loan impairment provisions	(3.6)	(3.8)	(5.6)
Net loans to customers (amortised cost)	365.3	359.0	358.7
Less Ulster Bank RoI net loans to customers (amortised cost)	(6.3)	(6.7)	(16.9)
Go-forward group net lending	359.0	352.3	341.8

### 10. Customer deposits

Go-forward group customer deposits is calculated as total customer deposits less Ulster Bank RoI customer deposits.

Refer to page 3 for further details.

	As at		
	31 March 2022 £bn	31 December 2021 £bn	31 March 2021 £bn
Total customer deposits	482.9	479.8	453.3
Less Ulster Bank RoI customer deposits	(17.3)	(18.4)	(18.4)
Go-forward group customer deposits	465.6	461.4	434.9

## Performance metrics not defined under IFRS

Metrics based on GAAP measures, included as not defined under IFRS and reported for compliance with the European Securities and Markets Authority (ESMA) adjusted performance measure rules.

### 1. Loan:deposit ratio

Loan:deposit ratio is calculated as net customer loans held at amortised cost excluding reverse repos divided by total customer deposits excluding repos. Prior periods have been re-presented.

This is a common metric used to assess liquidity. The removal of repos and reverse repos reduces volatility and presents the ratio on a basis that is comparable to UK peers.

Refer to page 3 for further details.

	As at		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Loans to customers - amortised cost	365,340	358,990	358,728
Less reverse repos	(26,780)	(25,962)	(20,548)
	<b>338,560</b>	<b>333,028</b>	<b>338,180</b>
Customer deposits	482,887	479,810	453,308
Less repos	(16,166)	(14,541)	(16,141)
	<b>466,721</b>	<b>465,269</b>	<b>437,167</b>
Loan:deposit ratio (%)	<b>73%</b>	<b>72%</b>	<b>77%</b>

### 2. Loan impairment rate

Loan impairment rate is the annualised loan impairment charge divided by gross customer loans.

Refer to pages 3, 6 to 8 and 11 to 13 for further details.

### 3. Funded assets

Funded assets is calculated as total assets less derivative assets.

This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values.

Refer to pages 3, 8 and 11 to 13 for further details.

### 4. AUMAs

AUMA comprises both assets under management (AUMs) and assets under administration (AUAs) serviced through the Private Banking franchise. AUMs comprise assets where the investment management is undertaken by Private Banking on behalf of Private Banking, Retail Banking and Commercial & Institutional customers. AUAs comprise third party assets held on an execution-only basis in custody by Private Banking, Retail Banking and Commercial & Institutional for their customers, for which the execution services are supported by Private Banking. Private Banking receives a fee for providing investment management and execution services to Retail Banking and Commercial & Institutional franchises.

Private Banking is the centre of expertise for asset management across NatWest Group servicing all client segments across Retail, Premier and Private Banking.

Refer to pages 3 and 7 for further details.

### 5. Depository assets

Assets held by Commercial & Institutional as an independent trustee and in a depository service capacity.

Depository assets are a closely monitored KPI for the Commercial & Institutional business and its inclusion in commentary highlights the services provided.

Refer to page 8 for further details.

### 6. Wholesale funding

Wholesale funding comprises deposits by banks, debt securities in issue and subordinated liabilities.

This is a closely monitored metric used across the banking industry to ensure capital requirements are being met.

Refer to page 3 for further details.

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