

NatWest Group plc

Investor Factbook

Q3 Results 2021



Delivering against our strategic priorities to drive sustainable returns for shareholders

- Powering growth through innovation, partnership and digital transformation
- Simplification and cost efficiency
- Portfolio discipline and effective deployment of capital.



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

2. Other expenses, excluding OLD and Ulster Bank Rol direct costs.

3. Between 1 July 2021 and the end of 2025.

We announced a new target to provide an additional £100 billion of Climate and Sustainable Funding and Financing³.

Q3'21 Results Highlights

- Supporting our customers through the recovery with £2.9bn net lending growth¹
- Delivering against our targets to drive sustainable returns for shareholders
- £750m on-market buyback underway with £402m executed as at 27th October 2021
- £2.6bn² booked of our c.£2.9bn minimum commitment for FY'21 distributions.

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

2. Shareholder distributions include minimum dividends of £1,000m, on-market buyback of up to £750m and Directed Buy Back of £1,125m.

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

Q3'21 performance

£1,074m

Operating profit before tax in Q3'21, up from £0.4bn profit in Q3'20

£242m

Impairment release in Q3'21 (26bps) of customer loans vs. £254m charge in Q3'20 28bps of customer loans

£674m

Attributable profit in Q3'21, compared to £61m profit in Q3'20

Delivering against our targets

3.1%

Net Lending Growth¹ on an annualised basis, up £7bn on FY'20

4.3%

Cost reduction³ of £198m in 9M'21 vs. 9M'20

18.7%

CET1 Capital Ratio Includes 60bps of IFRS 9 transitional relief

Shareholder distributions

£1bn

Minimum annual dividend £750m accrual included in 18.7% CET1 ratio

£750m

On-market buy-back £402m executed as at 27th October 2021

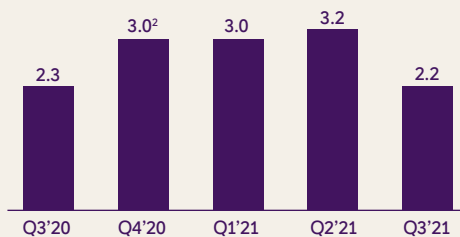
£1.1bn

Directed buy-back in Mar'21 4.99% window reopens on 19th March 2022

The guidance, targets, expectations and trends discussed in this document represent NatWest Group plc ('NWG') management's current expectations and are subject to change, including as a result of the factors described in the NWG's Risk Factors on pages 345-362 of the 2020 Annual Report and Accounts, pages 112 and 113 of NWG's 2021 Interim Results and NatWest Markets Plc's ('NWM') Risk Factors on pages 156-172 of NWM's 2020 Annual Report and Accounts and on pages 48 and 49 of NWM's 2021 Interim Results. These statements constitute forward-looking statements.

Sustainable growth with an intelligent approach to risk

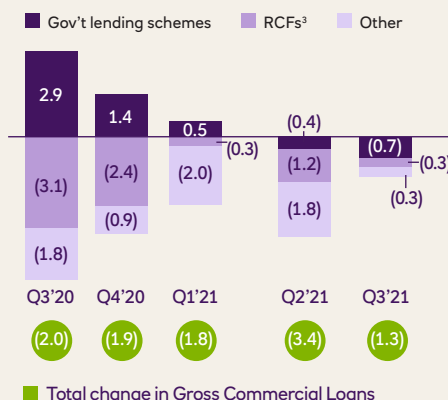
Mortgage net lending^{1,2} (change in period, £bn)



Buy-to-Let application volumes in Q3'21 more than double Q2'21

1. Data relates to Retail Banking.
2. Excludes Metro acquisition of £3bn in Q4'20.
3. RCF – Revolving Credit Facility.

Commercial Banking lending (change in period, £bn)



- Supporting our customers through the recovery
- Net mortgage lending resilient post Stamp Duty taper
- Credit card balances up further £0.1bn (3%) in the quarter with good momentum on new card issuance
- Outside government schemes, corporate deleveraging slows

Accelerating digital transformation to deliver income growth and drive cost efficiencies

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

7m¹

Retail customers exclusively using digital channels to interact with us with us in Q3'21.

89%

Of retail customer needs met digitally, up from 77% in Q3'20.

318m²

Personalised messages delivered to customers in 9m'21, tailored to individual needs. Driving a 41% increase in customer engagement over the period.

91.4m

Mobile payments in Q3'21, up 13% on Q3'20.

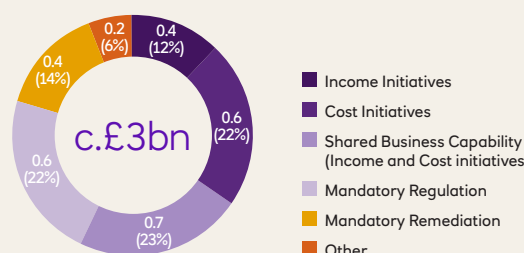
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Processed transactions worth over £1.5bn since inception in 2019, increase of ~£0.5bn in Q3'21.

1 Based on the average for the last month of the period. Current account customers only.
2. Difference in click through rate for all messages since introduction of personalised insights. Retail customers only.

Simplification and cost efficiency

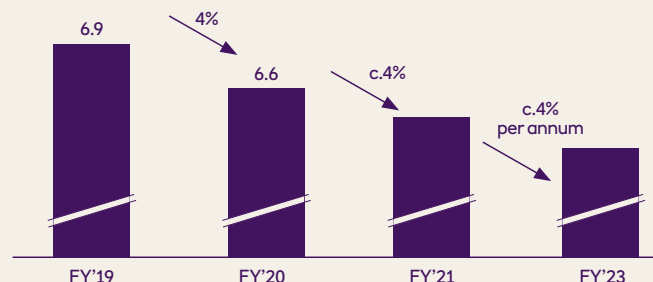
Investment spend¹, FY'21-FY'23



- Investment increasingly focused on delivering income and cost benefits
- We will invest £3bn over the next three years to support the One Bank strategy
- c.80% of investment relates to Digital and Technology programmes.

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

Other expenses², £bn



- Expect annual cost reduction of around 4%, excluding the impact of the phased withdrawal from the Republic of Ireland, along with continued strategic cost reduction
- Higher quality investment spend drives greater cost benefits and supports ongoing cost reduction.

2. Total expenses excluding litigation and conduct costs, strategic costs, operating lease depreciation and excluding Ulster Bank RoI direct costs.

Q3'21 key financials

Results by business

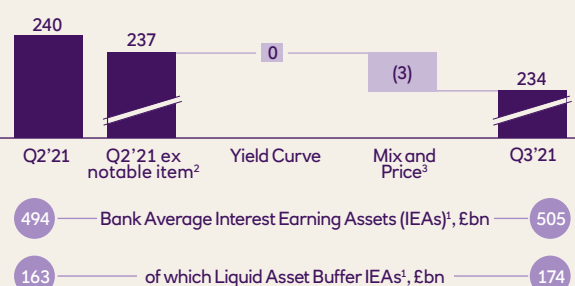
	Retail Banking	Private Banking	Commercial Banking	RBS International	NatWest Markets	Ulster Bank RoI	Central items & other ¹	Total NatWest Group
Income statement	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Net interest income	1,041	122	629	95	(1)	88	(20)	1,954
Own credit adjustments	–	–	–	–	2	–	–	2
Other non-interest income	90	73	336	41	94	57	127	818
Total income	1,131	195	965	136	95	145	107	2,774
Other Expenses	(543)	(117)	(520)	(56)	(206)	(114)	(15)	(1,571)
Strategic costs	6	(2)	(11)	(2)	(50)	(10)	(8)	(77)
Litigation and conduct costs	15	3	(25)	(2)	(2)	1	(254)	(294)
Operating expenses	(552)	(116)	(556)	(60)	(258)	(123)	(277)	(1,942)
Operating profit/(loss) before impairment (losses)/releases	579	79	409	76	(163)	22	(170)	832
Impairment (losses)/releases	(16)	15	216	11	3	16	(3)	242
Operating profit/(loss)	563	94	625	87	(160)	38	(173)	1,074
Return on equity ²	29.9%	18.1%	21.7%	21.6%	(12.1%)	9.6%	nm	na
Cost: income ratio ³	48.8%	59.5%	56.0%	44.1%	271.6%	84.8%	nm	69.6%
Net loans to customers – amortised cost (£bn)	180.5	18.4	102.7	15.6	7.1	13.2	23.5	361.0
Risk-weighted assets (RWAs) (£bn)	36.6	11.4	66.4	8.1	25.4	10.0	1.9	159.8

¹ Central items & other includes unallocated transactions, including volatile items under IFRS.

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

³ Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation. (Period ended 30 September 2021 – £106 million; Q3 2021 – £36 million; Q2 2021 – £35 million; period ended 30 September 2020 – £110 million and Q3 2020 – £37 million).

Bank Net Interest Margin¹ excluding Liquid Asset Buffer, bps

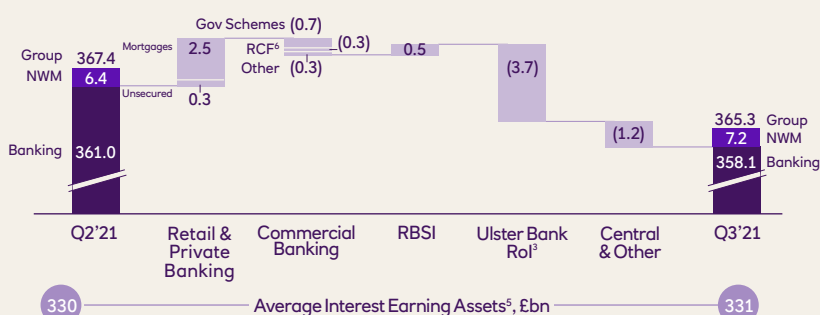


Net interest income support from mortgage growth

- Banking net interest income ex-notable items was up 0.3% in the quarter driven by mortgage growth, partially offset by reclassification of AT1 cost from equity to debt of £14m
- Bank NIM excluding Liquid Asset Buffer impacted by AT1 reclassification and higher funding costs.

1. Bank net interest margin and Bank average interest earning assets exclude NWM from NatWest Group plc figures.
 2. Non-repeat of Q2 One-off in Commercial Banking related to tax variable lease repricing following the enactment of future corporation tax rate changes (+£32m or +3bps of Bank AIEAs).
 3. Includes AT1 reclass.

Gross customer loans⁴, quarter on quarter, £bn

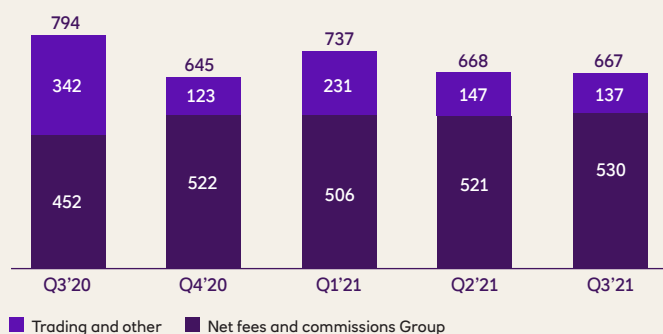


Growth in our target segments¹

- Gross banking loans to customers down by 0.8% in the quarter driven by the reclassification of Ulster loans to be sold to AIB¹
- £2.7bn² growth across UK & RBSI Retail & Commercial businesses, ex govt. schemes
- Mortgage growth partly offset by commercial deleveraging.

1. UK & RBSI Retail & Commercial businesses, ex govt. schemes.
 2. Net lending up by £2.9bn including ECL.
 3. Includes reclassification of £3.9 billion of gross loans agreed to be sold to Allied Irish Banks, p.l.c. as assets held for sale.
 4. May not cast due to rounding, Customer Loans Amortised Cost.
 5. Bank average interest earning assets = NatWest Group plc excluding NWM.
 6. Revolving credit facilities for our Commercial Banking customers.

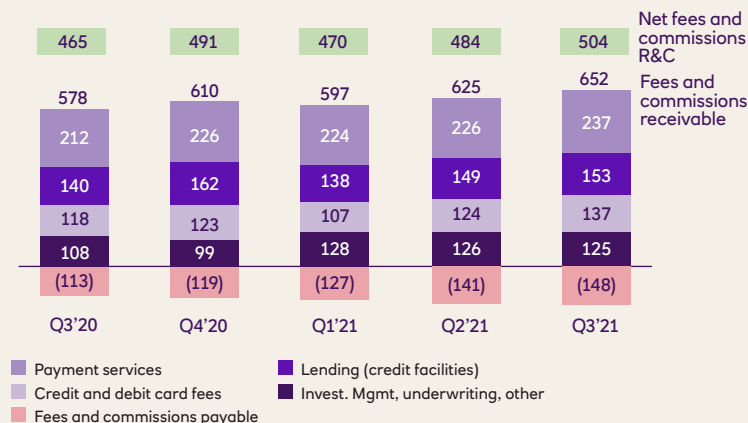
Non Interest Income¹ £m



- Non-interest income impacted by lower trading income
- NatWest Markets income¹ down 27% over Q2'21 to £105m due to ongoing weak Fixed Income performance and reshaping of the business.

1. Excluding relevant notable items per Q3'21 results slide 24. Restated £5m in Q1 and £20m in Q2 for Liquidity Asset Bond sale gain.
 2. Retail & Commercial Businesses' Fees and Commissions are calculated as NatWest Group excluding NatWest Markets, central items and other.

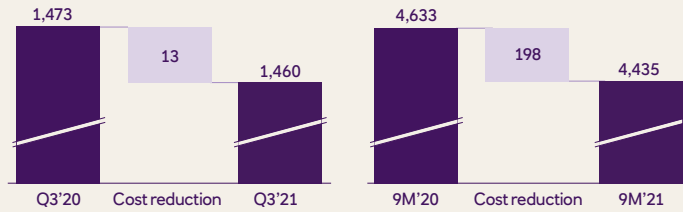
Retail & Commercial Businesses' Fees and Commissions² £m



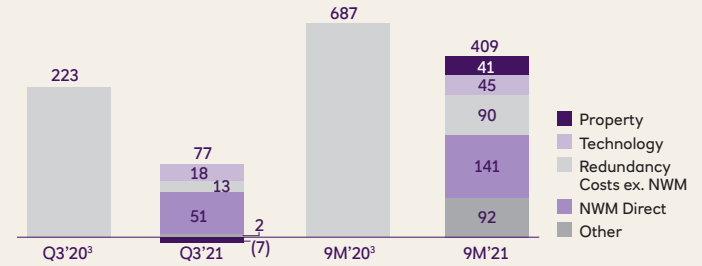
- Retail & Commercial net fees and commissions² up £20m or 4.1% over Q2'21.

Cost reduction of 4.3% in 9M'21¹, on track for c.4% target for FY'21

Other expenses ex Operating Lease Depreciation and Ulster Bank Rol Direct², £m



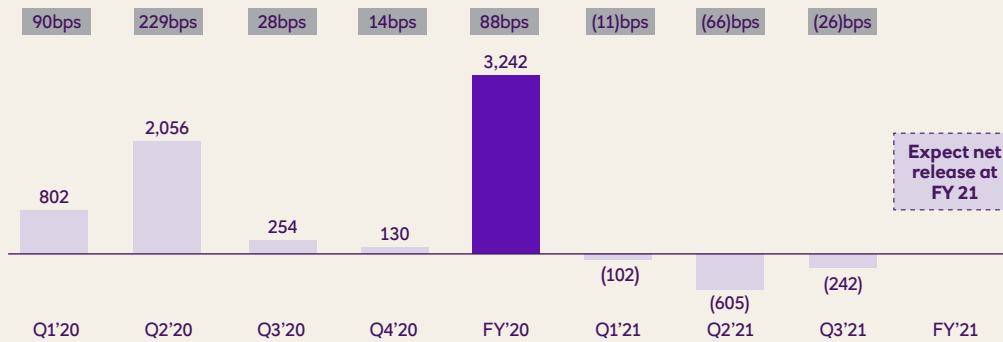
Strategic costs, £m



1. Reduction of £198m in Other expenses ex Operating Lease Depreciation and Ulster Bank Rol Direct.
2. Other expenses excluding Operating Lease Depreciation (OLD) and Ulster Bank Rol Direct Cost. Operating Lease Depreciation £36m in Q3'21, £37m in Q3'20. Ulster Bank Rol Direct costs of £75m in Q3'21, £73m in Q3'20.
3. Q3'20 and 9M'20 breakdown not disclosed.

Impairments charge/(release) £m

Loan impairment rate (bps of gross loans)



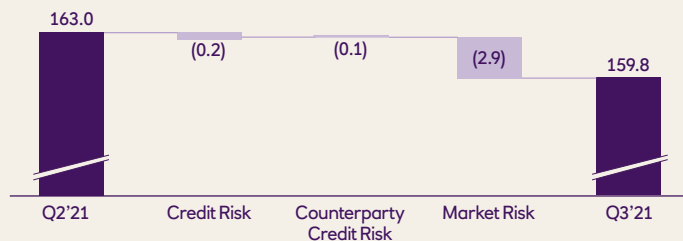
1. Post Model Adjustments.
2. £54m of the £105m change in the quarter is due to reclassification of Ulster loans agreed to be sold to Allied Irish Banks, p.l.c. as assets held for sale.

Intelligent and consistent approach to risk

- Impairment release driven by low level of defaults
- Of the £242m impairment release, £216m driven by Commercial Banking mainly due to strategic reduction in exposure to high risk sectors
- ECL coverage reduced to 1.19% due to ECL release. PMA¹ for economic uncertainty has reduced by £105m² to £729m.

Actively managing capital

RWA, £bn



- CET1 ratio 18.7% up 50bps on Q2'21 driven by earnings and RWA reduction
- RWAs reduced by £3.2bn mainly driven by lower market risk reflecting the model update in NWM
- We now expect RWAs to be below our previously guided range of £185-195bn on 1 January 2022.

Ulster Bank Rol

- Good progress on our phased withdrawal from the Republic of Ireland¹
- Entered a binding agreement with AIB¹ for the sale of c.€4.2bn gross performing commercial loans²
- Entered a non-binding MoU with PTSB¹ for the sale of c.€7.6bn gross performing retail and SME loans³
- Cost reduction will follow with a lag as we support our employees and customers purposefully through the journey
- There will be costs to exit and decommission
- We expect NWG's withdrawal from the Republic of Ireland to be capital accretive over the multi-year process.

1. Completion of each proposed sale is subject to obtaining regulatory and other approvals and in the case of Permanent signing definitive sale agreements. Completion may not occur when contemplated or at all.
2. AIB = Allied Irish Banks plc, agreement includes associated undrawn exposures of c.€2.8bn, all subject to regulatory approval.
3. MoU = Memorandum of Understanding, PTSB = Permanent TSB; proposed sale of a perimeter comprising performing non-tracker mortgages, performing Micro-SME loans, UBIDAC's asset finance business and a subset of its branch locations.

Strong capital position

Actively managing capital and optimising its allocation across the group

- Active capital management in Commercial Banking contributed to £0.7bn reduction in RWAs in Q3'21
- We expect NatWest Markets exit/disposal costs and the impact of Commercial Banking capital management actions to total a combined £150m in 2021; £70m realised 9M'21.

Returning excess capital to shareholders

- NatWest Group is a capital generative business that aims to operate at a CET1 ratio of between 13-14% by 2023
- Shareholder distributions are a key driver of our path to 13-14%
- Share buy-back programme of up to £750 million commenced on 2 August with £402m complete as at 27th October, on track for completion in early Q1'22.



1. May not cast due to rounding.

2. AT1 gain on redemption of capital instruments.

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

Our investment case: purpose-led, long term decision making



Expect to generate a ROTE of 9–10% by 2023.

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

2. Other expenses, excluding OLD and Ulster Bank Rol direct costs.

ESG Ratings and Benchmarks¹

ESG Rating	Scale ² :	2019:	2020:	July 2021 ³ :
MSCI	AAA to CCC	BBB	▲ AA	AA
Sustainalytics Risk Rating	1-100 Negligible to Severe	27.7 Medium risk	▲ 20.5 Medium risk	▲ 17.0 Low risk

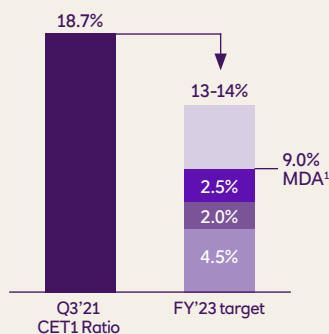
ESG ratings on this page are: (i) unsolicited; (ii) not a sponsorship, endorsement, or promotion of NatWest Group by the relevant rating provider, nor (iii) a warranty. Currently, ESG rating providers are not regulated like credit rating agencies. Some ESG ratings providers only rely on public information. So, their outputs may be subject to data gaps. ESG rating providers use different definitions, scope and methodologies leading to variation in ESG ratings for any given company. Ratings as of 26/10/2021.

Robust balance sheet with strong capital & liquidity levels

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

470–570 bps

c.£7.5bn – 9.1bn of headroom in Q3'21

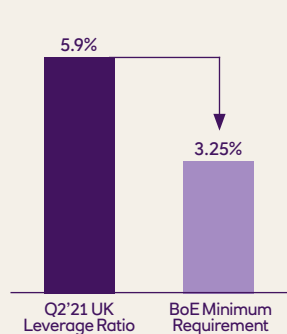


■ Capital ■ Pillar 2A3 ■ Capital Conservation Buffer ■ Pillar 1 Buffer

Headroom above minimum UK leverage requirements

265bps

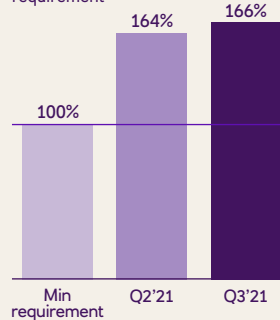
headroom above minimum requirements



Liquidity coverage ratio remains well above min UK requirement

£79bn

surplus liquidity over minimum requirement



1. Refer to detailed disclosure in Q3'21 IMS. Headroom presented on the basis of target CET1, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future.
2. Based on assumption of static regulatory capital requirements.
3. NatWest Group plc's Pillar 2A requirements are set on a nominal capital basis which results in an implied 9.0% MDA. 56.25% of the total Pillar 2A requirement must be met from CET1 capital. Pillar 2A requirement is expected to vary over time and is subject to at least annual review.

Credit ratings¹

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

1. Ratings as of 26/10/2021. *Moody's Long-Term Bank Deposit Ratings.

Legal entity issuing structure

