NatWest Group H1 2023 Results

28 July 2023

Howard Davies
Chairman

Katie Murray
Chief Financial Officer

H1’23 Financial Update

Strong H1 2023 performance

Strong earnings and returns	**£3.6bn** Operating profit before tax vs £2.6bn in H1'22	**£2.3bn** Attributable profit vs £1.9bn in H1'22	**18.2%** Return on Tangible Equity vs 13.1% in H1'22
Focused on growth, efficiency and operating leverage	**£7.4bn** Income ex notable items[1] +~£1.5bn vs H1'22	**£3.8bn** Other operating expenses + £323m[2] vs H1'22	**49.3%** Cost to Income ratio[3] vs 56.0% in H1'22
Strong capital generation and £2.5bn distributions[4]	**£0.5bn** Interim dividend announced 5.5p per share up from 3.5p for H1'22	**£1.8bn** Buybacks £1.3bn DBB[5] and £500m new on-market buyback	**13.5%** CET1 ratio vs 14.2% at FY'22, incl. **£0.3bn accrual towards final dividend**

1. Total income excluding notable items. 2. Of which ~£60m one-off cost of living payment 3. Cost:income ratio is total costs excluding litigation and conduct, divided by total income. 51.6% excluding income from notable items 4. £2.5bn includes £1.8bn buybacks, £0.5bn interim dividend and £0.3bn accrual for final dividend, does not cast due to rounding. 5. Directed buyback

Macro-economic outlook[1]

UK economy has performed better than expected however uncertainty remains

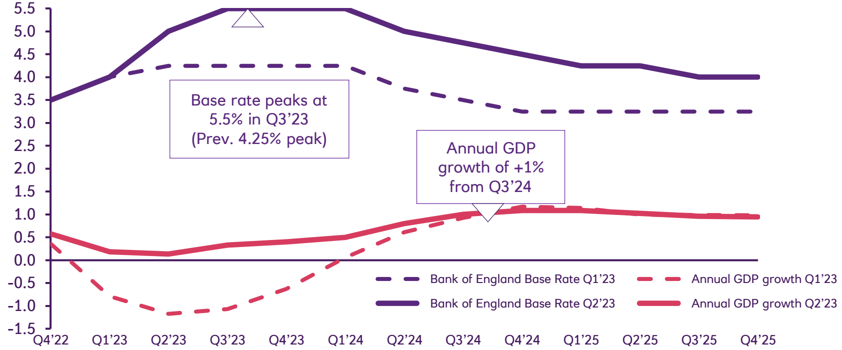
- Interest rates have risen faster than expected in response to more persistent inflation
- Credit demand is muted and we expect customers to be prudent as they readjust to this higher interest rate environment
- The outlook for unemployment has improved

Covid liquidity normalising, strengthening reserves for corporate customers

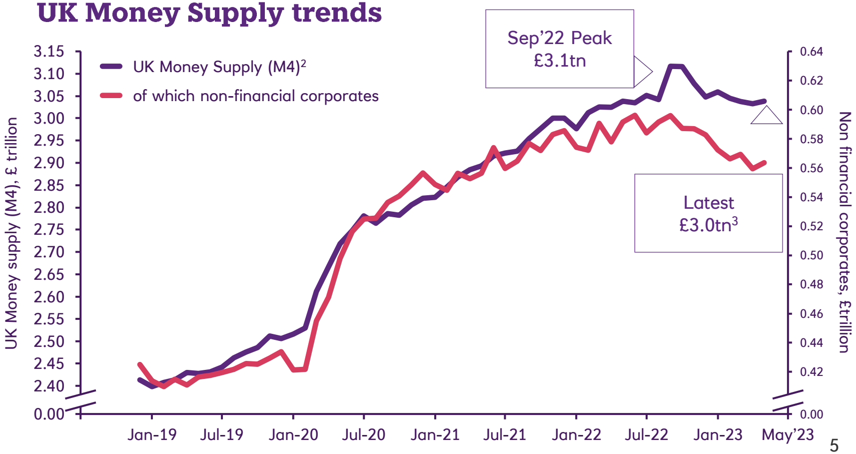
- System liquidity is reducing and non-financial corporates continue to de-lever
- We have strengthened our impairment reserve by ~£210m net of changes in economic forecasts

We continue to support our customers, managing for volume and value on both sides of our balance sheet

We have updated our base case assumptions



UK Money Supply trends



1. 2023-2025 forecasts per NatWest Group IFRS 9 base case – see H1 IMS p.18-21. 2. Source: Bank of England M4 (monetary financial institutions' sterling M4 liabilities to private sector), not seasonally adjusted 3. per May month end

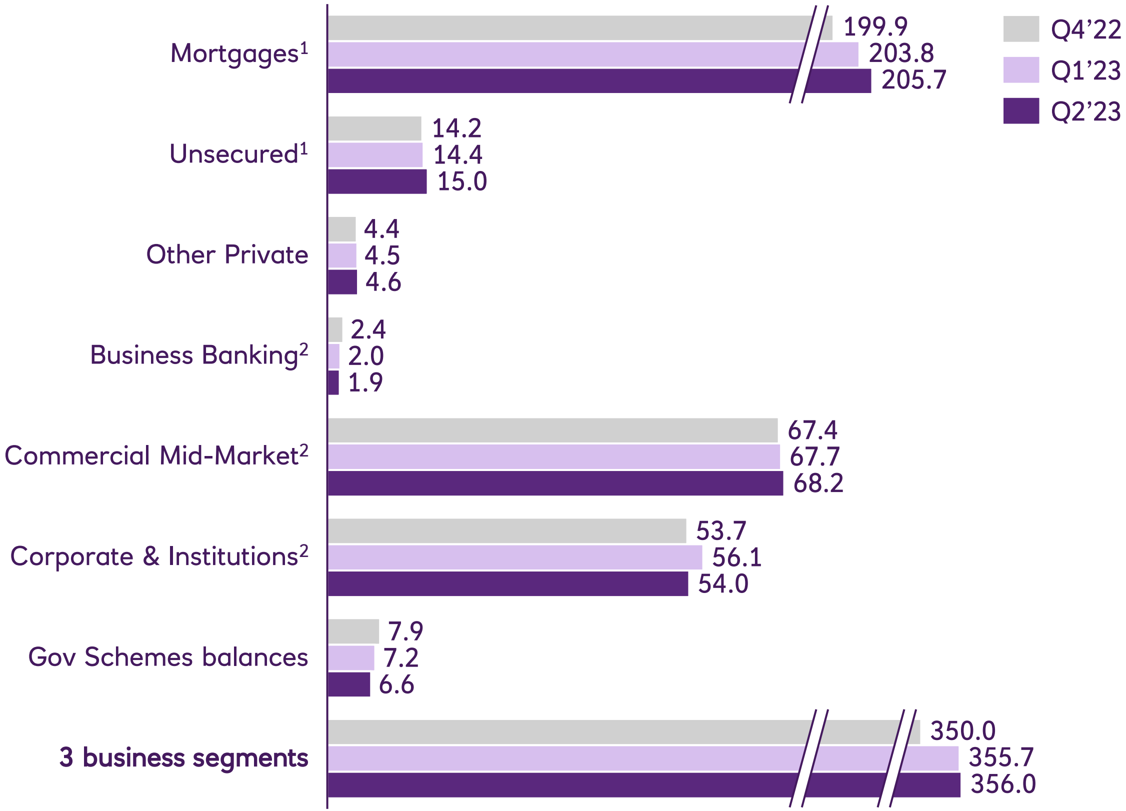
Strong Q2'23 operating performance

Group, £m	Q2'23	Q1'23	Q2'23 vs Q1'23	H1'23	H1'22	H1'23 vs H1'22
Net interest income, ex notable items[1]	2,824	2,902	(2.7%)	5,726	4,334	32.1%
Non-interest income, ex notable items[1]	739	918	(19.5%)	1,657	1,564	5.9%
Total income, ex notable items[1]	**3,563**	**3,820**	**(6.7%)**	**7,383**	**5,898**	**25.2%**
Total income	**3,851**	**3,876**	**(0.6%)**	**7,727**	**6,219**	**24.2%**
Other operating expenses	(1,875)	(1,932)	(3.0%)	(3,807)	(3,484)	9.3%
Litigation and conduct costs	(52)	(56)	(7.1%)	(108)	(169)	(36.1%)
Operating expenses	**(1,927)**	**(1,988)**	**(3.1%)**	**(3,915)**	**(3,653)**	**7.2%**
Operating profit before impairments	**1,924**	**1,888**	**1.9%**	**3,812**	**2,566**	**48.6%**
Impairment (losses)/releases	(153)	(70)	118.6%	(223)	54	nm
Loan impairment rate	16bps	7bps	9bps	12bps	(3bps)	15bps
Operating profit	**1,771**	**1,818**	**(2.6%)**	**3,589**	**2,620**	**37.0%**
Attributable profit, £m	**1,020**	**1,279**	**(20.3%)**	**2,299**	**1,891**	**21.6%**
Return on Tangible Equity	**16.4%**	**19.8%**	**(3)ppts**	**18.2%**	**13.1%**	**5ppts**
Cost to Income Ratio	**48.7%**	**49.8%**	**(1)ppts**	**49.3%**	**56.0%**	**(7)ppts**

1. This line excludes notable income items as per slide 25.

Further loan growth in target segments

Gross loans to customers (amortised cost) at Q2'23, £bn



We are increasing share in targeted areas

Mortgages
12.6% stock share
+0.3% YTD[3]

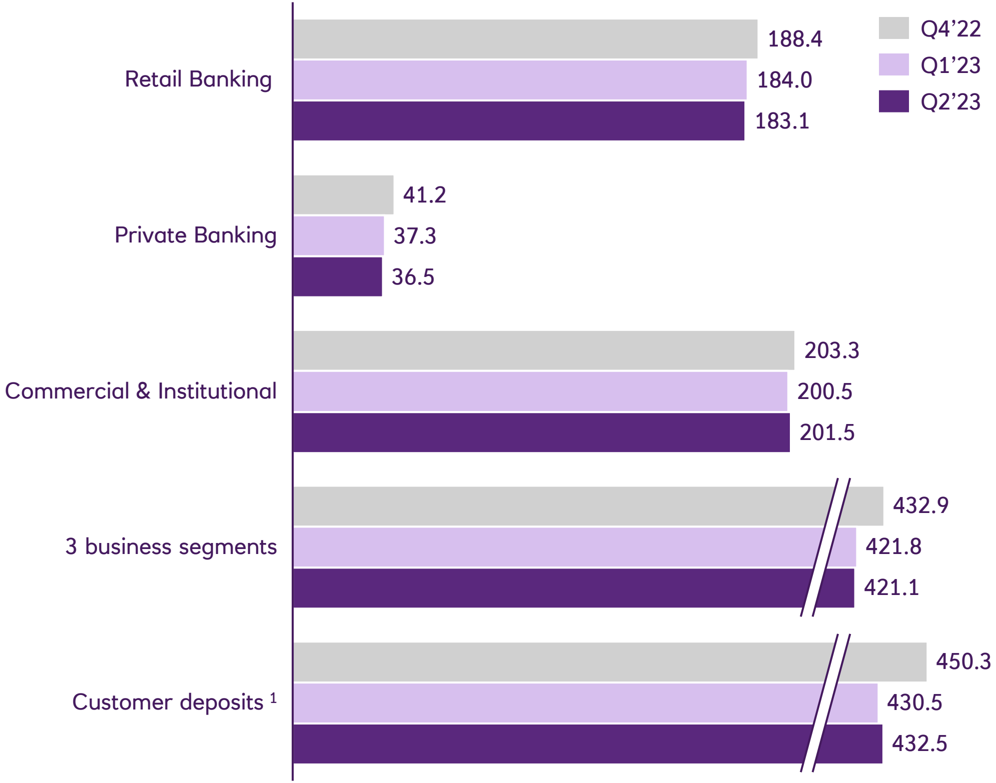
Credit Cards
7.5% stock share
+0.6% YTD[4]

CSFF
£48.6bn contribution
since July'21[5]

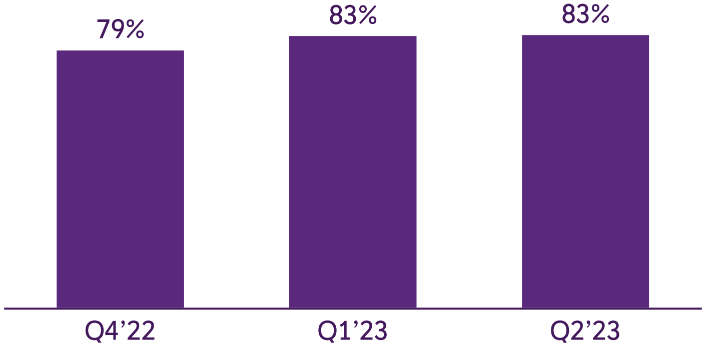
1. Across Retail and Private Banking 2. All sub-segments in Commercial & Institutional are ex government schemes 3. 12.6% in Q2'23 vs 12.3% in Q4'22, based on May BOE data. 4. 7.5% in Q2'23 vs 6.9% in Q4'22, based on May BOE data. 5. Climate and sustainable funding and financing between 1 July 2021 and the end of 2025.

Robust deposit funding - balances stable in Q2'23

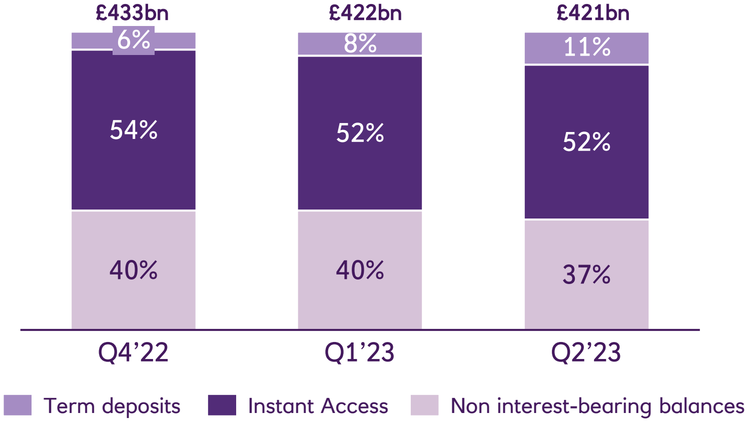
Customer deposits



Strong Loan Deposit Ratio (LDR) supporting growth



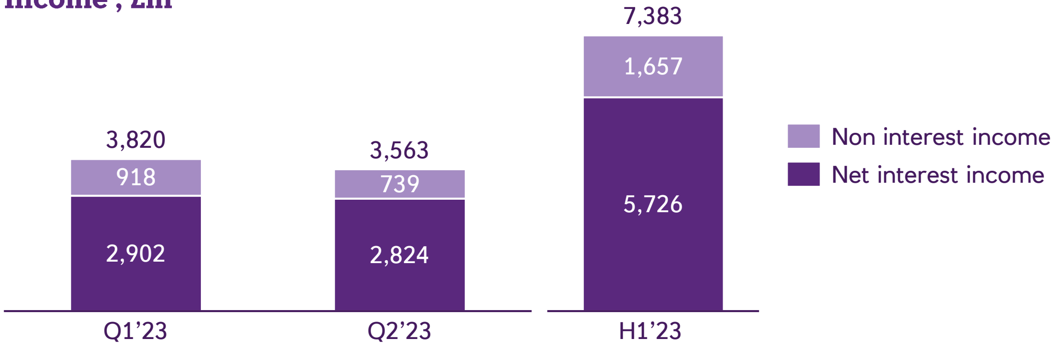
Deposit mix by interest type across the 3 business segments



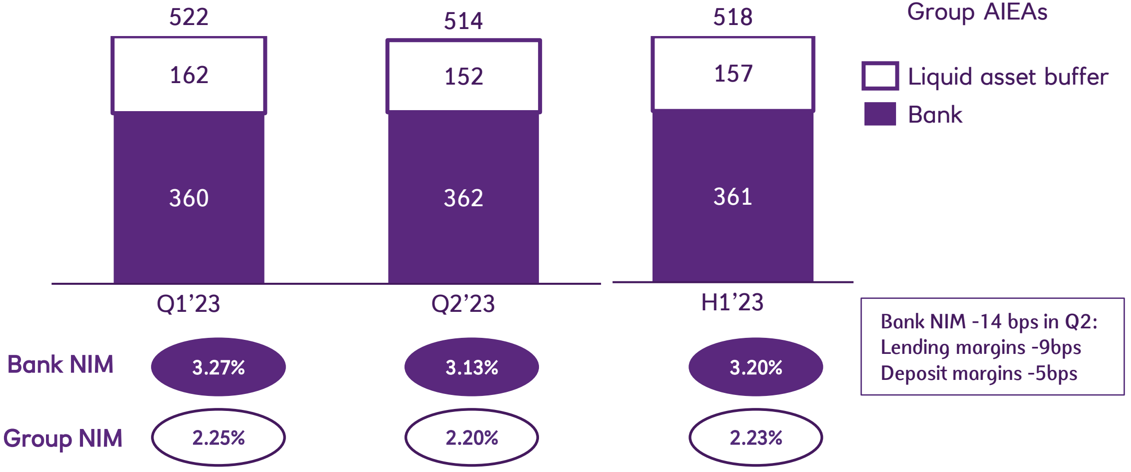
1. Customer Deposits (£432.5bn) = 3 business segments + Ulster + Centre

Income on track to meet guidance

Income[1], £m



Average Interest Earning Assets, £bn



Income

- Net interest income reduction reflects lower mortgage income and higher cost of deposits
- Non–interest income reduction reflects lower markets income following strong Q1 performance

Net interest margin and volume

- Bank AIEAs higher due to lending growth
- LAB AIEAs lower due to lower customer funding surplus
- NIM reduction reflects mortgage pressure, higher cost of deposits from mix shift and increasing passthrough

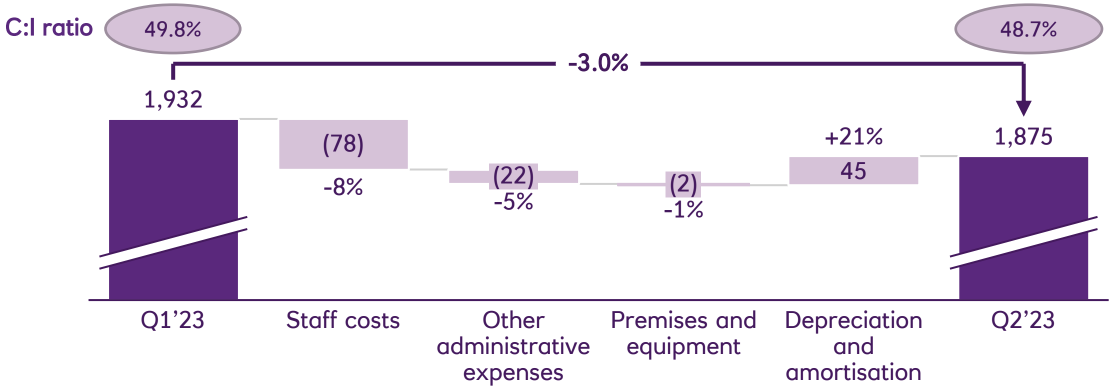
Guidance

- FY’23 income around £14.8bn[1]
- FY’23 Bank NIM around 3.15%
- Assumes UK Base Rate peak of 5.50% in Q3’23

1. Excluding relevant notable income items per slide 25.

On track for ~£7.6bn other operating costs in FY'23

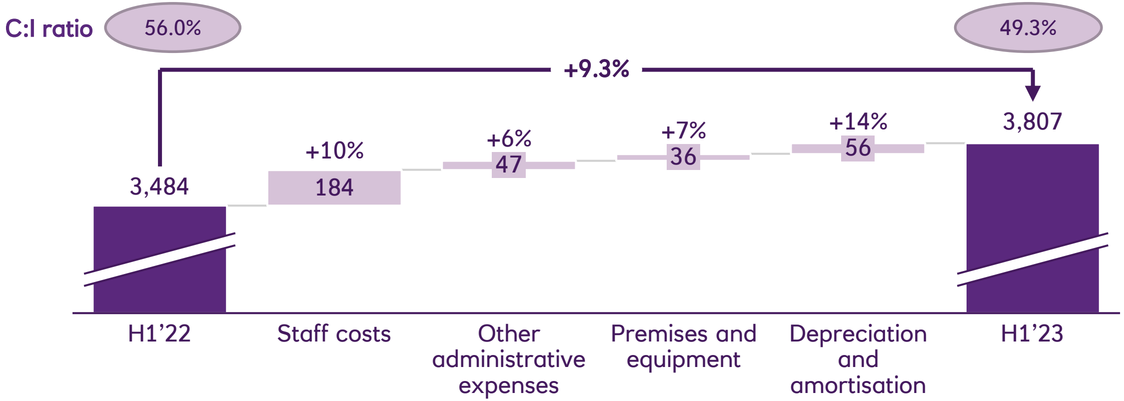
Other operating expenses Q2'23 vs Q1'23, £m



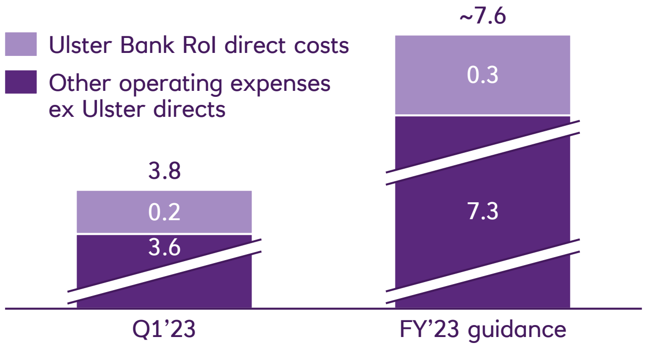
H1'23 cost drivers

- Staff costs include ~£60m one off cash payment in January plus 6.4% average annual wage increase effective from April 2023
- Non-staff costs reflect broader inflationary pressures

Other operating expenses H1'23 vs H1'22, £m

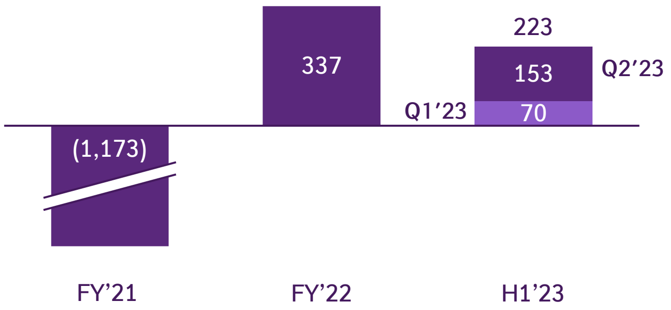


Progress versus cost guidance, £bn

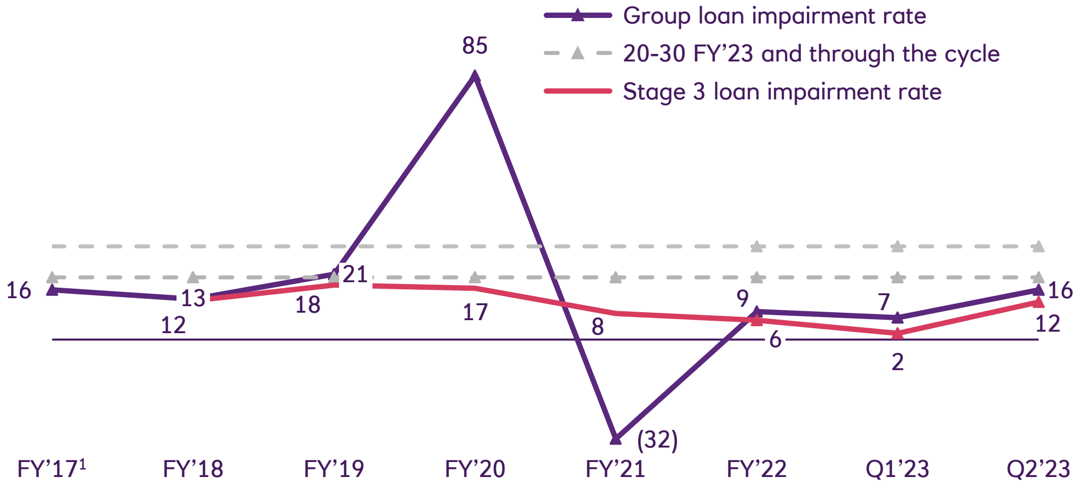


Our impairment guidance remains unchanged at 20-30bps

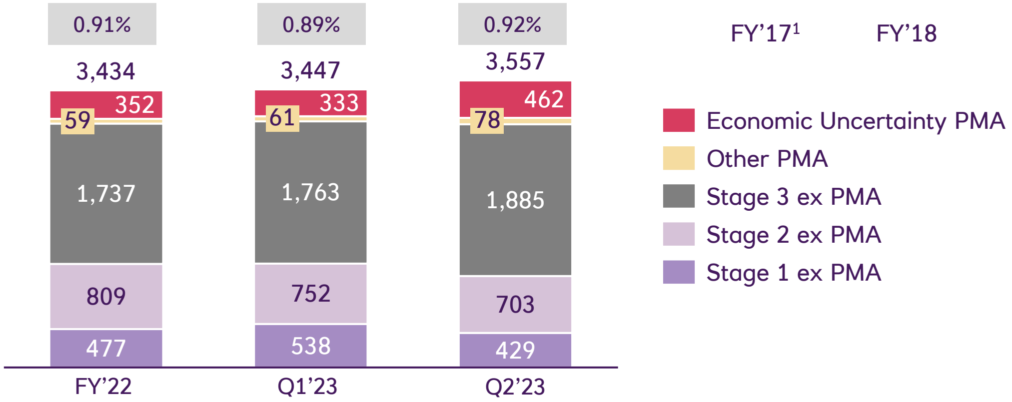
Impairment charge / (release), £m



History of loan impairment rates, bps



Group ECL provisions, £bn, and coverage



Movement in ECL provision in Q2'23

- Small improvement in macroeconomic assumptions and upside weightings led to ECL reduction of £98m
- Excluding economics update, ECL increased by ~£210m, this was driven by Economic uncertainty PMA increase of £129m to £462m

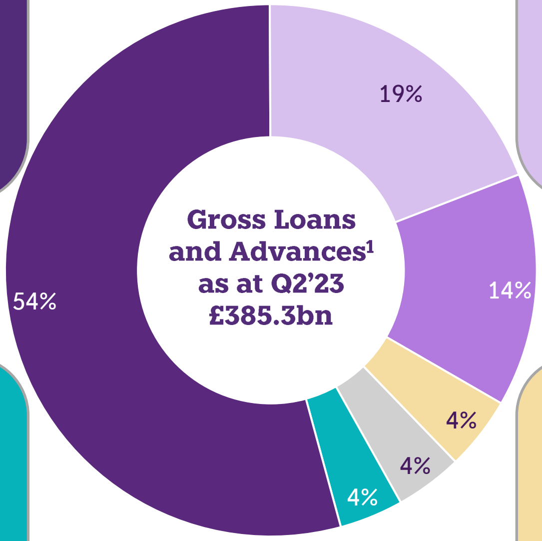
1. 2017 did not have IFRS 9 staging disclosure

Well diversified, high-quality loan book

Arrears levels remain broadly stable

Mortgages

- Mortgage LTV of 55%[2]
- Balances: 67% 5Y, 23% 2Y, 1% 10Y, 5% Tracker, 4% SVR
- £24.7bn or ~13.1% of fixed book expire by end of 2023.
- Arrears levels stabilised at pre-Covid levels



Corporate

- Diversified £74bn corporate loan book
- Low exposure to in focus areas such as Retail £7.5bn, Automotive £7.5bn and Leisure £7.4bn
- Limited exposure to Oil and Gas £1bn
- Stage 2 exposure and ECL reduced in H1, with Stage 3 inflows remained stable

Credit cards and other unsecured

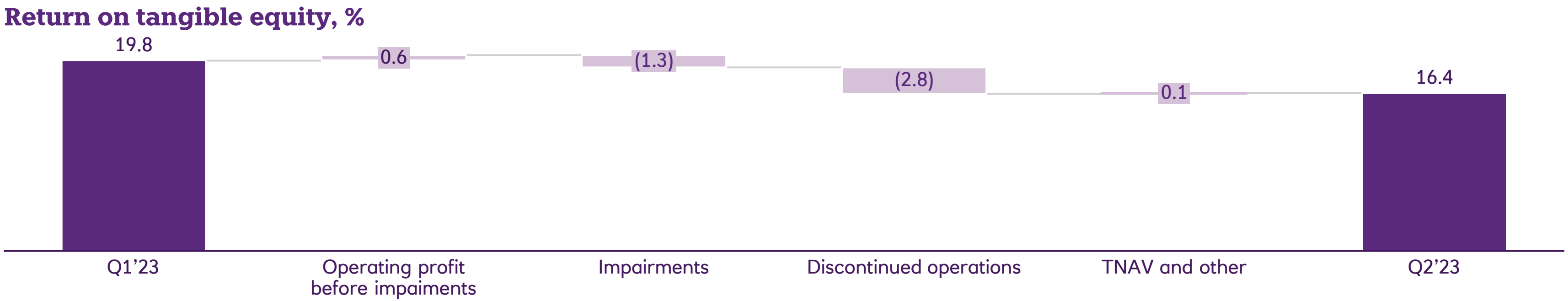
- <4% of Group Loans
- Difficulty to pay[3] indicators remained broadly stable and do not show any adverse trends
- Cards arrears stabilised at pre-Covid levels, and the inflows remain low
- Credit quality of new business written in H1 improved

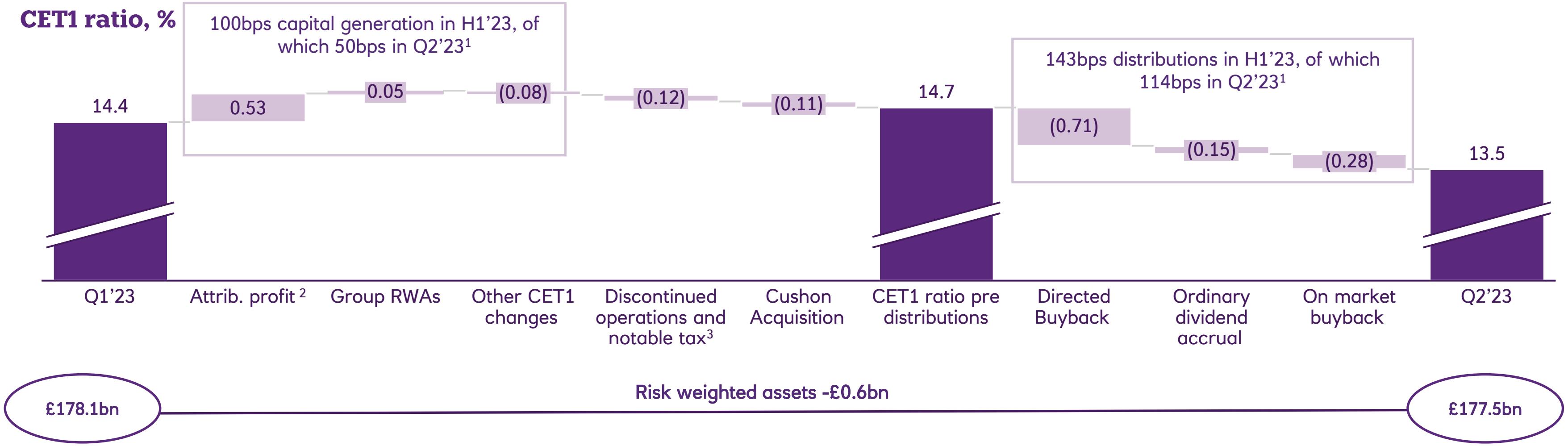
Commercial Real Estate (CRE)

- <5% of Group lending
- CRE average LTV of 48%[2]
- Around 20% of our book is due to expire each year[5]
- Exposure to the Retail and Office sector is geographically diversified across all regions of the UK

1. Loans at amortised cost and FVOCI. 2. Total portfolio average LTV% as at Q2'23. 3. Such as customers switching to minimum credit cards payments. 4. Sovereigns and Financial Institutions. 5. Either to be repaid fully or refinanced

Continued sustainable returns and strong capital generation and distribution

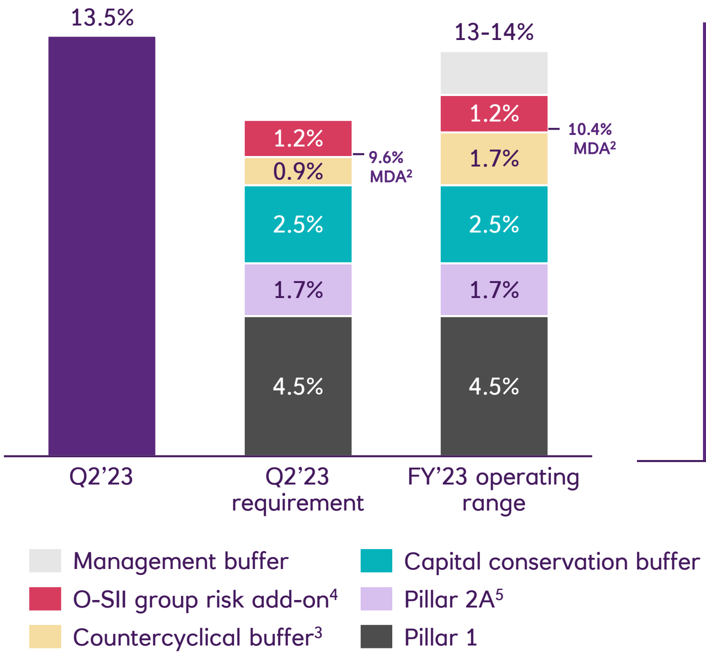




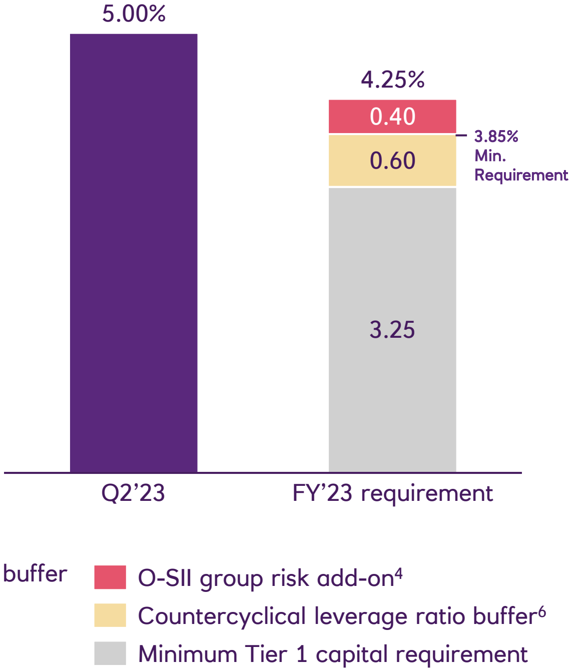
1. Excludes discontinued operations, notable tax adjustments and impacts of Cushon acquisition; 2. Attrib. profit net of IFRS 9 changes and FX recycling 3. Includes loss from discontinued operations, net of tax and tax adjustments in respect of prior periods

Strong capital and leverage positions provide confidence and flexibility

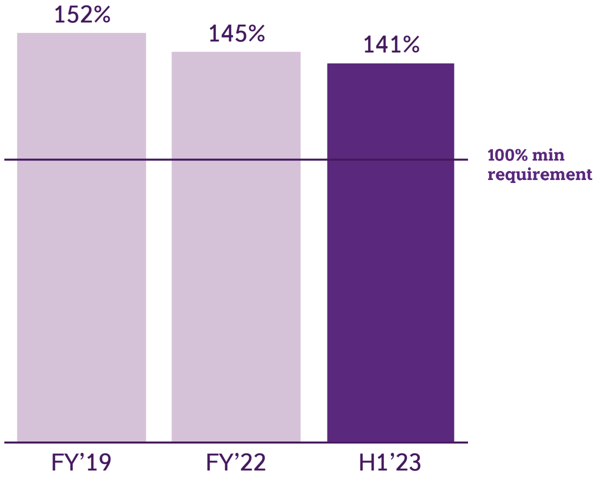
CET1 capital (% RWA)[1,2]



UK leverage ratio (Tier 1 capital as % leverage exposure)



Liquidity coverage ratio (LCR) as at Q2’23 Headroom of £45.3bn



1. Operating range in 2023 reflects medium term CET1 of 13-14%. 2. Based on assumption of static regulatory capital requirement. 3. Countercyclical buffer -The UK CCyB rate increased from 0% to 1% effective from 13 December 2022. A further increase from 1% to 2% was announced on 5 July 2022, effective 5 July 2023. 4.O-SII buffer of 1.5% applies to the ring-fenced bank holding company. The equivalent O-SII Group Risk Add-on’ is ~1.2%. The O-SII Group Risk Add-on is included in the Group’s minimum supervisory minimum. 5. Pillar 2A requirements are expected to vary over time and are subject to at least annual review. 56.25% of the total Pillar 2A requirement must be met from CET1 capital. 6. The countercyclical leverage ratio buffer is set at 35% of NatWest Group’s CCyB. As noted above the UK CCyB is anticipated to increase from 1% to 2% from 5 July 2023. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions.

Our FY'23 guidance

2023 GUIDANCE

Total Income	Other operating costs and C:I ratio[2]	Loan impairment rate	RoTE	Distributions
~£14.8bn[1] NIM: ~3.15% Assumes peak UK Base Rate of 5.50% from Q3'23	~£7.6bn <52%	20-30bps	Upper end of 14-16%	Payout ratio 40% + capacity for buybacks and inorganic opportunities[3]

H1 PERFORMANCE

Total Income	Other operating costs and C:I ratio	Loan impairment rate	RoTE	Distributions
£7.4bn[1] NIM: 3.20%	£3.8bn C:I[2] 49.3%	12bps	18.2%	£2.5bn[4]

1. Total Income ex notable items. 2. Cost:income ratio is total costs excluding litigation and conduct, divided by total income3. considered if compelling shareholder value and strategic rationale. 4. Paid and accrued

NatWest Group

H1'23 Business update

Driving targeted growth across the Group

	Actions		Outcomes
a **Delivering personalised solutions across customers' lifecycles**	**Focused on customer lifetime value to deliver targeted growth**		17.7%[1] leading start up share c.20% share of the youth market[2], 93k new NatWest Rooster card holders in H1'23 Wealth AUM Net New Money of c.£1bn in H1'23[3]
b **Supporting customers' sustainability transitions**	**Increasing Green Financing,** targeting £100bn CSFF[4] between 1 July 2021 and the end of 2025		H1 contribution of £16bn against CSFF target £48.6bn contribution since July'21
c **Embedding our services in our customers' digital lives**	**Scaling our digital and payment offering for business customers**		c.17k new Mettle Accounts in H1'23 £2.2bn transactions processed by Tyl in H1'23, 64% increase Year on Year
	Launched whole of market credit card offering		9.6% credit card flow share[5]

1. Based on the % of 771 businesses, less than 2 years old, that name a NatWest Group brand as their main bank. Compared to other banks with a presence on the high street. Source: MarketVue Business Banking from Savanta at Q2 2023. Excludes those using personal bank accounts. 2. As at April 23 (latest available), Source: CACI – UK youth flow share max age 18, cash card and no overdraft plus Rooster 11+ overlay (12 months rolling). 3. Excluding acquisition of Cushon. 4. Climate and sustainable funding and financing. 5. Source: eBenchmarkers 3 month rolling average to end May, compared to 5.7% for the same period last year

Maintaining expense and investment discipline

~£3.5bn investment spend 2023 - 2025

Customer journey re-engineering to improve efficiency and customer experience

Accelerating adoption of AI to improve operating leverage and keep customers safe

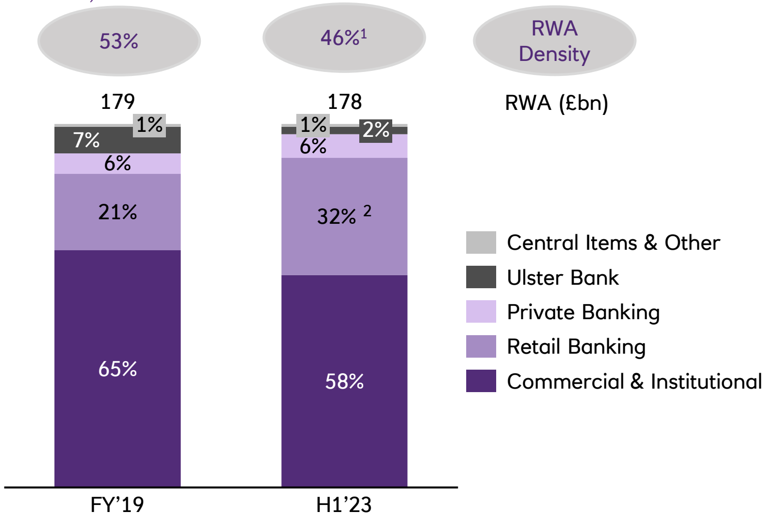
Investing to deepen engagement and diversify future income streams

Cost:Income ratio[1] <50% by 2025

1. Cost:income ratio is total costs excluding litigation and conduct, divided by total income

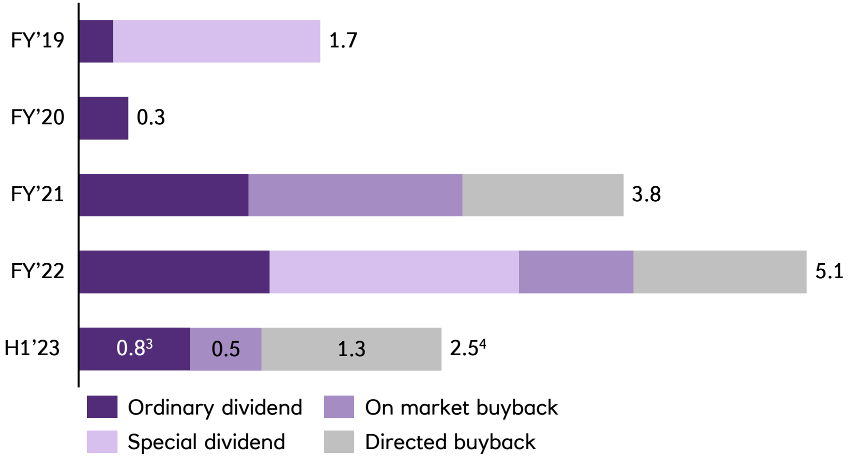
Effective capital allocation with significant distributions

We have improved capital allocation towards the higher returning businesses
RWAs, £ billion



- Phased withdrawal from the Republic of Ireland on track
- EUR 800m Q2 dividend from Ulster Bank received
- Active capital and risk management with a diversified loan book, well positioned for growth

£13.5bn[3] shareholder distributions 2019-H1'23
Paid and accrued, £ billion



- Executed £1.3bn Directed Buyback in H1 and accruing for 40% ordinary dividend payout
- Announced new on market buyback of up to £500m
- Government shareholding now below 40%[5]
- Inorganic opportunities considered if compelling shareholder value and strategic rationale

1. RWA density calculated as total RWAs divided by Gross Loans (incl. Disposal groups) minus ECL provision. 2. 6ppt of the 11ppt increase is driven by regulatory model increases implemented on 1st January 2022. 3. Includes £0.3bn accrual for final dividend 2023, will not cast due to rounding 4. Does not cast due to rounding 5. 38.6% as per RNS 22 May 2023

Strong foundations for our continued success

Our Purpose…

We champion potential, helping people, families and businesses to thrive

Our four strategic priorities:

Supporting customers at every stage of their lives
Driving sustainable growth

Powered by innovation & partnerships
Bringing the best of the bank to our customers

Simple to deal with
Improving efficiency and customer satisfaction

Sharpened capital allocation
Targeted investment of £3.5bn 2023-2025 to drive sustainable returns

… and the strength of our business…

Strong market positions and digital engagement, well placed for future growth

c.19m customers across the group

No.1 Commercial Bank[1] with leading share in start ups

Leading Climate & ESG Capital Market Capabilities[2]

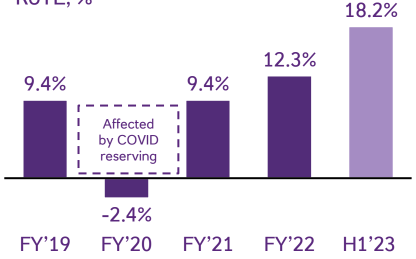
2nd largest mortgage lender[3]
+23 NPS in our Retail Bank[4]

Growing **Wealth offering**

… is delivering for our shareholders

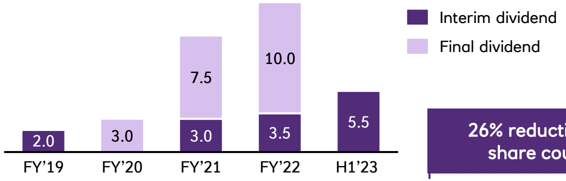
Improvement in RoTE and strong capital generation resulting in significant distributions to shareholders

1 Improving RoTE track record
RoTE, %



Sustainable medium-term target
14%-16% RoTE

2 Supporting £3.6bn in ordinary dividends[5] **since 2019**
Ordinary dividend per share, GBp



12.1	12.1	11.3	9.7	8.9

Ordinary Shares Outstanding, period end (bn)

26% reduction in share count
New buyback of up to £500m in H2

1. Based on NatWest Group being No.1 for customer advocacy with a main-bank NPS of +15 and the highest estimated "main-bank for banking business" (amalgamating banking group brands) as measured by MarketVue Business Banking from Savanta at Q2 2023. This is a survey of 2,748 businesses with a turnover over £2m in Great Britain. Responses are weighted by region and turnover to reflect the GB business population, using data from the Office for National Statistics . 2. In H1 2023, NatWest Markets ranked second among bookrunners for supporting UK issuers with green, social, sustainability and sustainability-linked (GSS/S) debt issuance. Source: Dealogic, 3 July 2023 – excludes money market and short-term debt. 3. Based on Q1 Balance Sheet position relative to other UK banks. 4. Strategic NPS benchmarking study run through InMoment, England & Wales (June'23 data) 5. Paid and announced as reported.

H1 2023 key messages

1. **Strong H1 performance – 18.2% RoTE; ahead of 14-16% medium-term guidance**
2. **Robust Balance Sheet, growing lending to support our customers and the economy**
3. **Maintaining expense discipline, whilst investing £3.5bn between 2023 - 2025**
4. **Effective capital allocation, good progress on Ulster Bank with EUR 800m dividend received**
5. **Strong distributions in H1 of £2.5bn[1], remain well capitalised at 13.5% CET1 Ratio**

1. Total distributions paid and accrued

Q&A

Appendix

Outlook statements[1]

Outlook	**We retain the guidance provided in the 2022 Annual Report and Accounts with the exception of full year 2023 Bank NIM which is now expected to be less than 3.20%, with a current view of around 3.15%. This remains subject to market conditions including the assumption of a Bank of England base rate of 5.50% from Q3 2023 through to the end of the year.**
Outlook 2023	• We continue to expect to achieve a return on tangible equity for the Group of 14-16%. • Income excluding notable items for the Group is expected to be around £14.8 billion and full year NIM to be less than 3.20%, with a current view of around 3.15%, based on a Bank of England base rate of 5.5% through the remainder of 2023. • We expect to deliver a Group cost:income ratio below 52% or around £7.6 billion of Group operating costs, excluding litigation and conduct costs. • Impairment losses in 2023 are expected to be in line with our through the cycle guidance of 20-30 basis points.
Capital and Funding	• We expect to generate and return significant capital to shareholders through 2023. • We expect to pay ordinary dividends of 40% of attributable profit and maintain capacity to participate in directed buybacks from the UK Government, recognising that any exercise of this authority would be dependent upon HMT's intentions and limited to 4.99% of issued share capital in any 12-month period. • We will also consider further on-market buybacks as part of our overall capital distribution approach as well as inorganic opportunities where the strategic case and returns are suitably compelling • As part of the Group's capital and funding plans we intend to issue between £3 billion to £5 billion of MREL-compliant senior instruments in 2023, with a continued focus on issuance under our Green, Social and Sustainability Bond Framework, and up to £1 billion of Tier 2 capital instruments. NatWest Markets plc's funding plan targets £3 billion to £5 billion of public benchmark issuance.
Medium term	• We continue to target a sustainable return on tangible equity for the group of 14-16% over the medium term. • We expect to deliver a Group cost:income ratio of less than 50%, excluding litigation and conduct costs, by 2025. • We expect that RWAs could increase by a further 5-10% by the end of 2025, including the impact of Basel 3.1. • We expect to continue to generate and return significant capital via ordinary dividends and buybacks to shareholders over the medium term and continue to expect that the CET1 ratio will be in the range of 13-14%.

1. 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 in the 2022 Annual Report and Accounts and the Summary Risk Factors in the H1 IMS. These statements constitute forward-looking statements. Refer to Forward-looking statements in this announcement.

Notable items

	Q1'22	Q2'22	Q3'22	Q4'22	FY'22	Q1'23	Q2'23
Group income	3,008	3,211	3,229	3,708	13,156	3,876	3,851

Notable items in Income, £m	Q1'22	Q2'22	Q3'22	Q4'22	FY'22	Q1'23	Q2'23
Commercial and Institutional Banking							
Own credit adjustments (OCA)	18	34	9	(19)	42	6	3
Fair value, disposal losses and strategic risk reduction	--	(45)	--	--	(45)	--	--
Central items & other							--
Interest and FX risk management derivatives not in accounting hedge relationships	166	149	100	(46)	369	75	(23)
Loss on redemption of own debt	(24)	--	(137)	--	(161)	--	--
Liquidity Asset Bond sale gains	41	(5)	(124)	--	(88)	(13)	(11)
Share of associate profits/(losses) for Business Growth Fund	23	(36)	(16)	7	(22)	(12)	(3)
FX recycling gain	--	--	--	--	--	--	**322**
Effective interest rate adjustment as a result of redemption of own debt	--	--	--	(41)	(41)	--	--
Profit from Insurance liabilities settlement	--	--	--	92	92	--	--
Ulster Bank RoI fair value mortgage adjustment	--	--	--	(51)	(51)	--	--
Total notable items in Group income	**224**	**97**	**(168)**	**(58)**	**95**	**56**	**288**
Group income excluding notable items	**2,784**	**3,114**	**3,397**	**3,766**	**13,061**	**3,820**	**3,563**

	Q1'22	Q2'22	Q3'22	Q4'22	FY'22	Q1'23	Q2'23
Group operating expenses	(1,820)	(1,833)	(1,896)	(2,138)	(7,687)	(1,988)	(1,927)

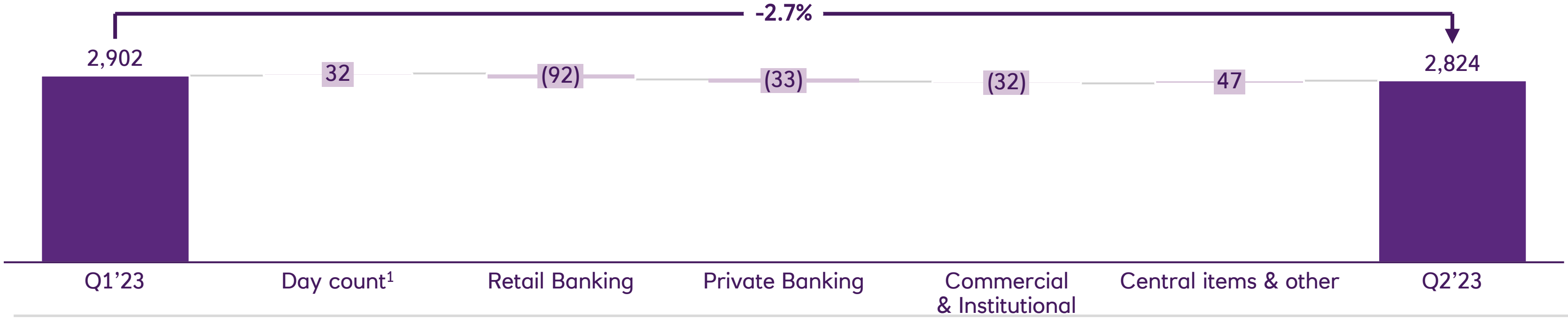
Notable items in Operating Expenses, £m	Q1'22	Q2'22	Q3'22	Q4'22	FY'22	Q1'23	Q2'23
Litigation & Conduct	(102)	(67)	(125)	(91)	(385)	(56)	(52)
Total notable items in Group Expenses	**(102)**	**(67)**	**(125)**	**(91)**	**(385)**	**(56)**	**(52)**
Group operating expenses excluding notable items	**(1,718)**	**(1,766)**	**(1,771)**	**(2,047)**	**(7,302)**	**(1,932)**	**(1,875)**
Memo: Bank Levy	5	--	--	(106)	(101)	--	--

Group Metrics	Q1'22	Q2'22	Q3'22	Q4'22	FY'22	Q1'23	Q2'23
Cost:income ratio – reported	**57.1%**	**55.0%**	**54.8%**	**55.2%**	**55.5%**	**49.8%**	**48.7%**
Cost:income ratio – excluding income notable items[1]	61.7%	56.7%	52.1%	54.4%	55.9%	50.6%	52.6%
RoTE – reported	**11.3%**	**15.2%**	**2.9%**	**20.6%**	**12.3%**	**19.8%**	**16.4%**
RoTE – excluding income notable items and litigation and conduct[1]	10.4%	15.1%	6.8%	22.8%	13.5%	20.0%	15.7%

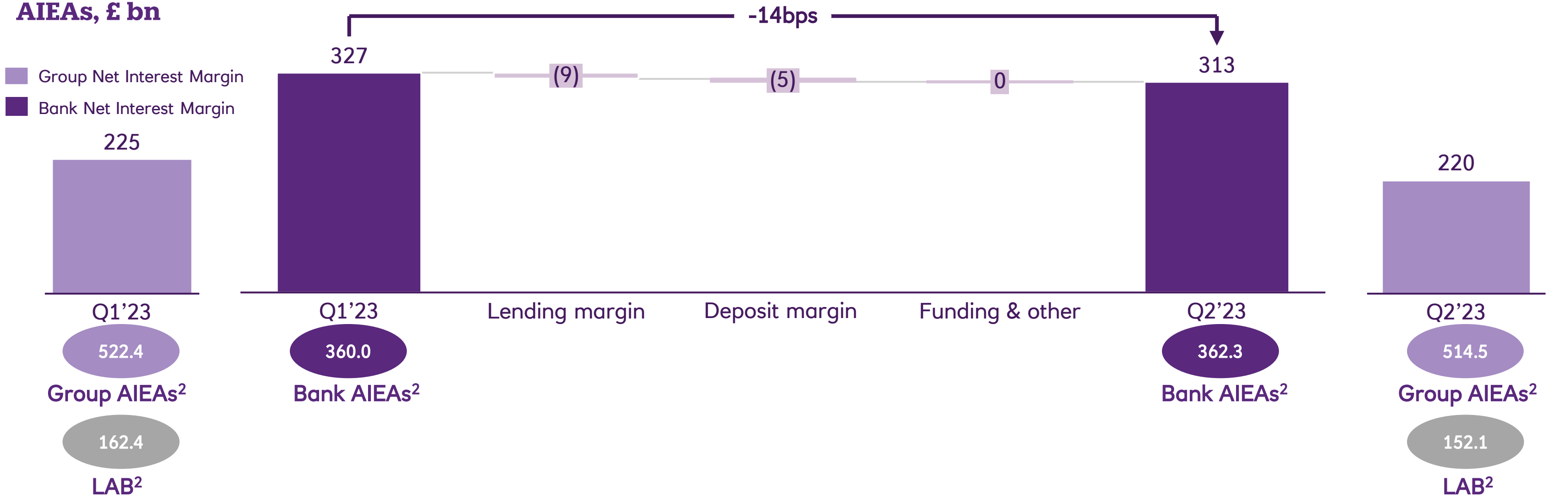
1. Excludes all notable income and cost items shown in the tables above except Bank Levy which is included. 27% tax rate assumed on all notable items excluding Litigation & Conduct costs where no tax shield is assumed.

Net interest income and NIM in Q2’23

Net Interest Income, £m



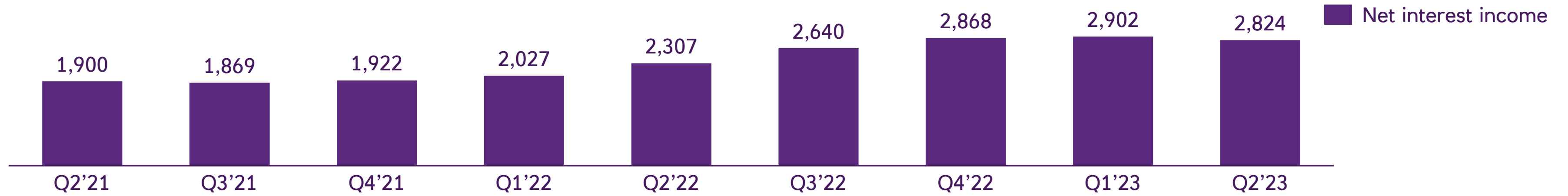
Net Interest Margin[1], bps
AIEAs, £ bn



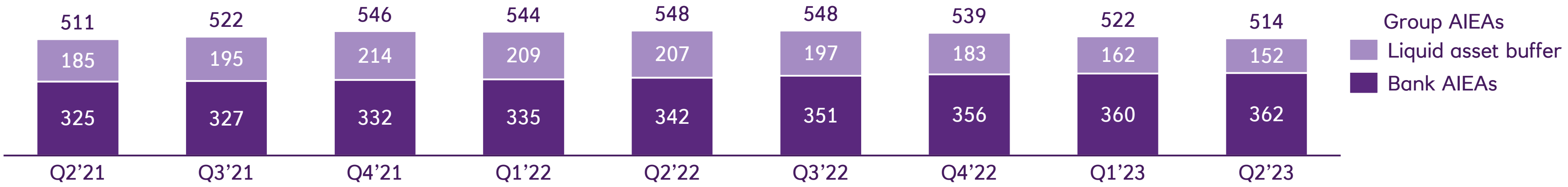
1. Adjustment for the number of days in the quarter. 2.Bank Average Interest Earning Assets (AIEAs) + Liquid Asset Buffer (LAB) = Total Group AIEAs. Group NIM = Group NII / Group AIEAs. Bank NIM = Group NII / Bank AIEAs

Net Interest Income, margin and AIEAs

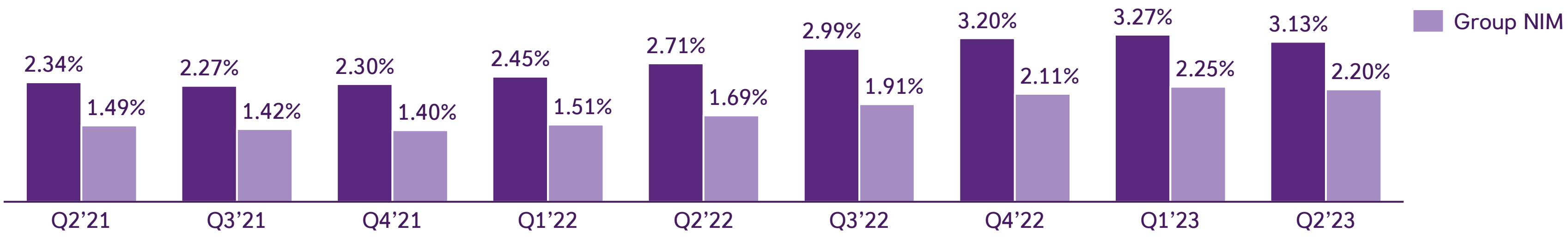
Net Interest Income, £m



Average Interest Earning Assets, £bn



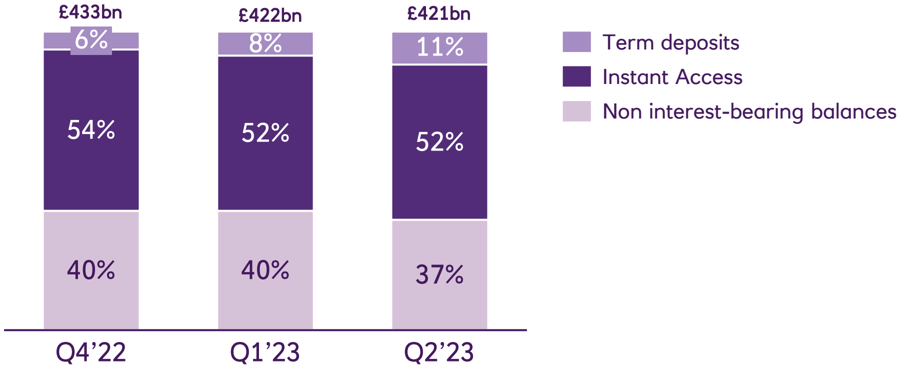
Net Interest Margin, %



Managing deposits for liquidity and value

Customers continue to migrate to term savings and our incremental pass through is increasing

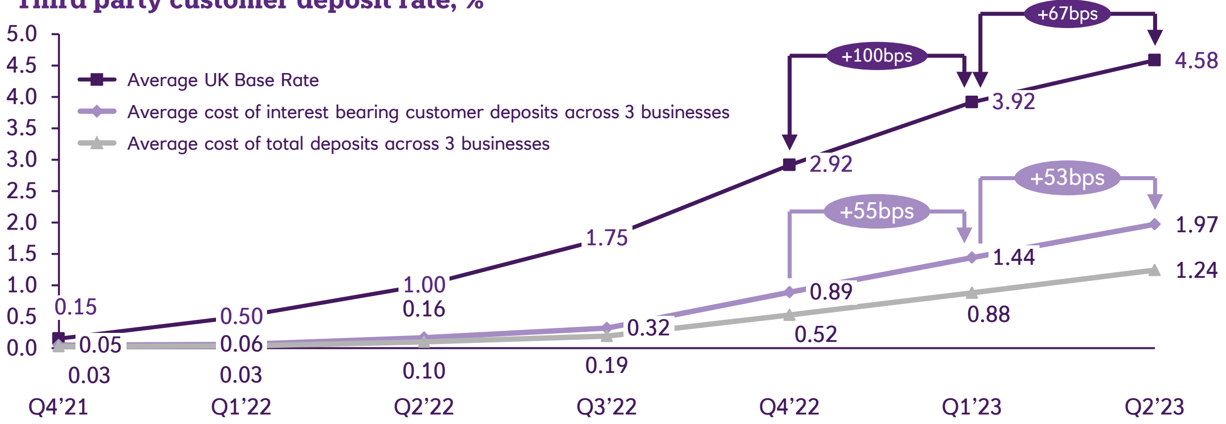
Deposit mix by interest type across the 3 business segments



Pass through on £218bn Instant Access Deposits (52% of deposits across 3 businesses)

- **Cumulative pass through**
  - from 0.1% to 5% base rate ~**50%**
  - from 0.1% to 4.25% base rate ~40%
- **Incremental pass through**
  - 75bps increase to 5% ~**75%**
  - 25bps increase to 4.25% ~60%

Third party customer deposit rate, %

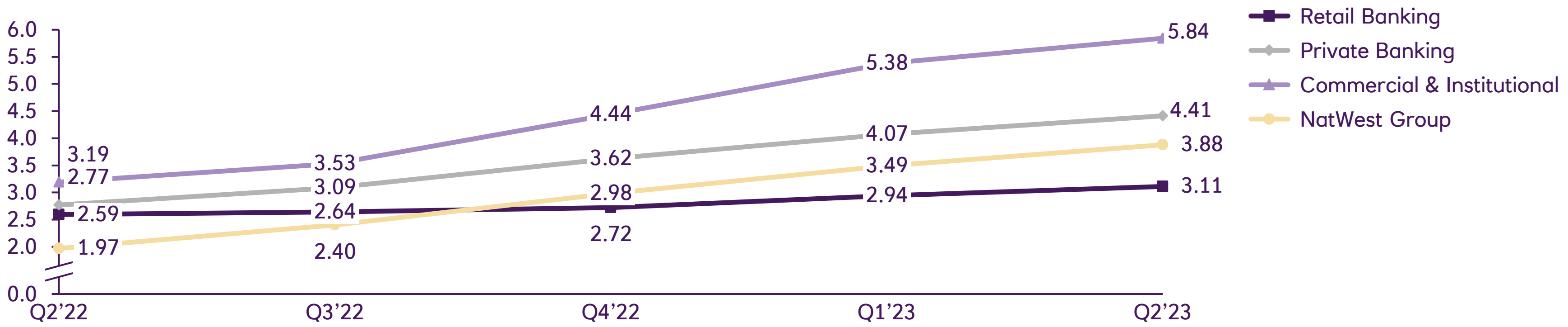


Drivers of deposit costs:

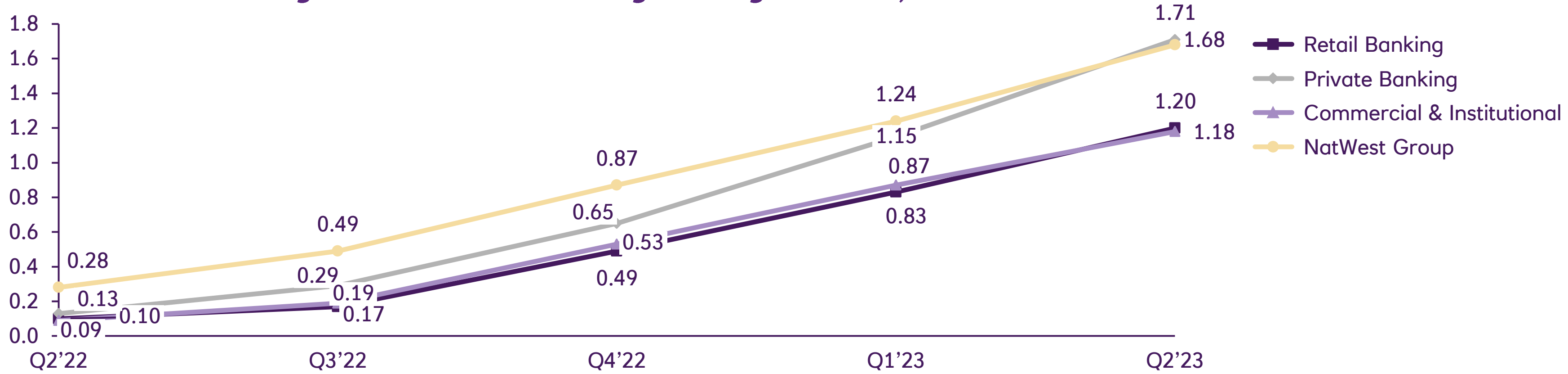
- Customer behaviour and balance migration to higher interest-paying accounts
- Deposit repricing lags the increase in base rates
- Pace of change is uncertain

Higher interest rates are feeding through to customer lending and deposit rates

Gross yields of interest earning banking assets, %[1]



Cost of interest bearing and non-interest bearing banking liabilities, %[2]



1. For NatWest Group plc this is the gross yield on the IEAs of the banking business; for Retail, C&I and Private it represents the third party customer asset rate. 2. For NatWest Group plc this is the cost of interest-bearing liabilities of the banking business plus the benefit from free funds; for Retail and Commercial & Institutional Banking it represents the third party customer funding rate which includes both interest-bearing and non-interest bearing deposits.

Structural Hedge[1]

	H1 2023			
	Total Income (£m)	Period end notional (£bn)	Average Notional (£bn)	Total Yield %
Equity	204	23	22	1.83
Product	1362	202	205	1.33
Total	1,566	225	227	1.38

	H2 2022			
	Total Income (£m)	Period end notional (£bn)	Average Notional (£bn)	Total Yield %
Equity	189	23	22	1.72
Product	1118	208	206	1.08
Total	1,307	231	228	1.14

	H1 2022			
	Total Income (£m)	Period end notional (£bn)	Average Notional (£bn)	Total Yield %
Equity	182	21	21	1.71
Product	662	204	188	0.70
Total	844	225	209	0.81

1. The basis of preparation of the table above has changed since December 2022. UBIDAC is no longer included. In addition, the 'Other' category is no longer used: hedges booked in Coutts & Co. have now been allocated between product hedges and equity hedges, while hedges booked in RBS International have been allocated to product hedges.

Interest rate sensitivity[1]

Assumes constant balance sheet as at 30 June 2023

H1 2023	+25 basis points parallel upward shift			-25 basis points parallel downward shift		
	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)
Structural Hedge	49	151	249	(49)	(151)	(248)
Managed Margin	86	76	157	(121)	(75)	(168)
Total	135	227	406	(170)	(226)	(416)

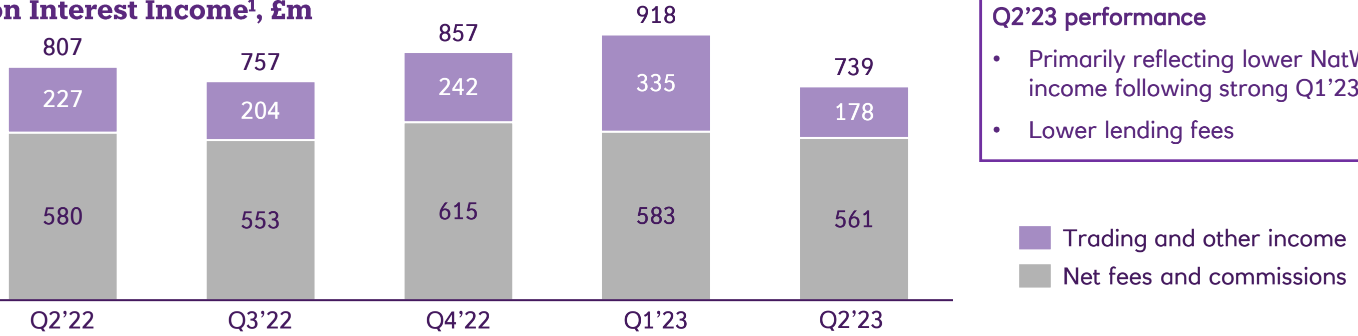
FY 2022	+25 basis points parallel upward shift			-25 basis points parallel downward shift		
	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)
Structural Hedge	50	158	260	(50)	(158)	(260)
Managed Margin	148	141	136	(170)	(140)	(129)
Total	198	299	396	(220)	(298)	(389)

H1 2022	+25 basis points parallel upward shift			-25 basis points parallel downward shift		
	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)
Structural Hedge	45	150	253	(45)	(150)	(253)
Managed Margin	231	227	223	(219)	(205)	(227)
Total	276	377	476	(264)	(355)	(480)

1. Page 268 of NWG FY'22 ARA, page 76 of NWG H1'22 IMS, page 73 H1'23 IMS.

Non interest income

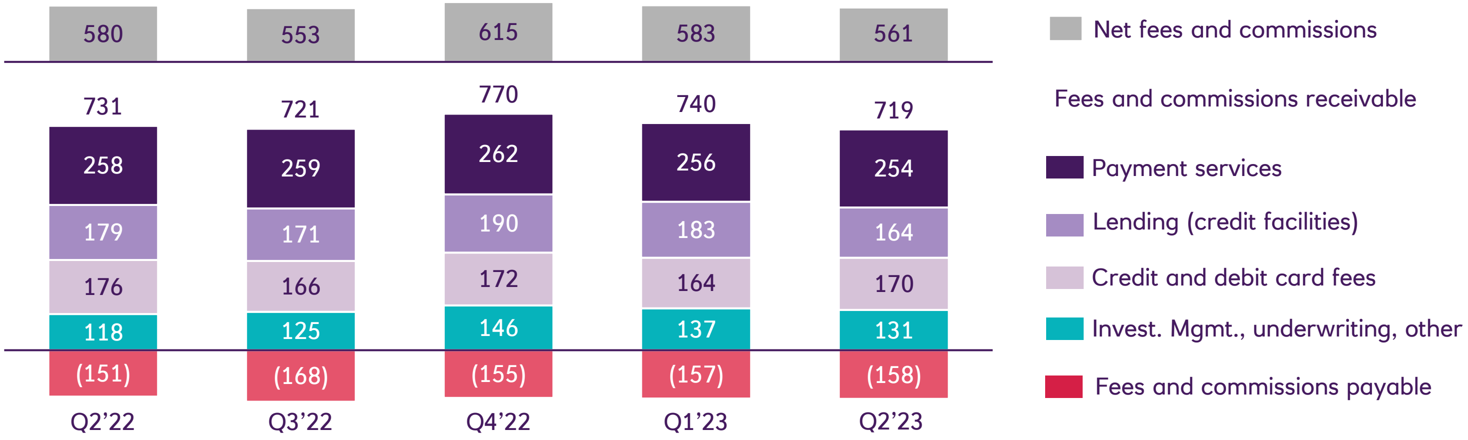
Non Interest Income[1], £m



Q2’23 performance

- Primarily reflecting lower NatWest Markets fixed income following strong Q1’23
- Lower lending fees

Fees and Commissions, £m



1. Excluding relevant notable income items per slide 25.

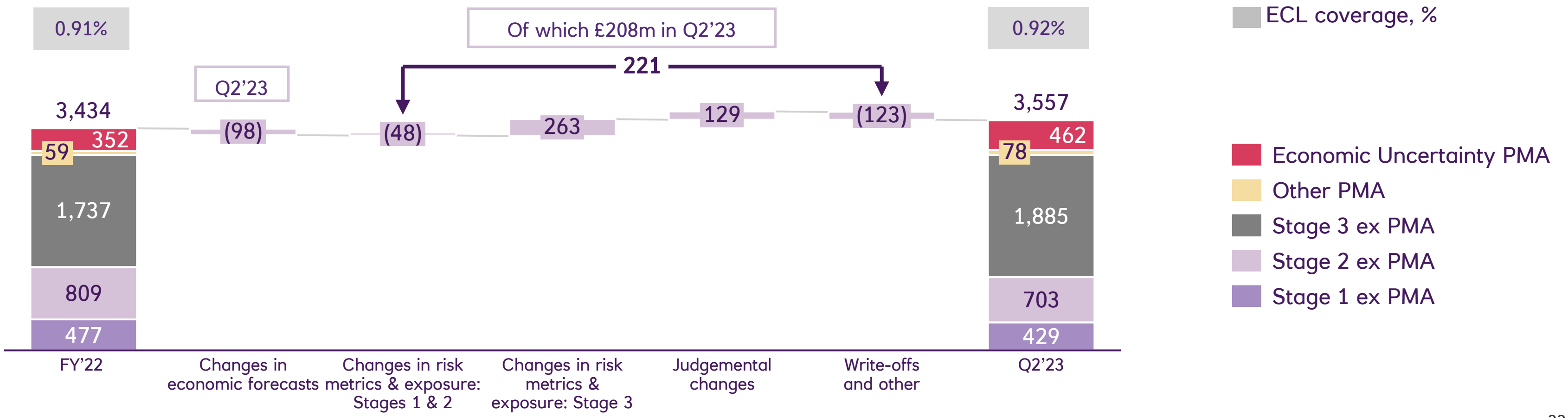
Well provided for the economic cycle and have revised our economic scenarios

Economic scenarios and weightings

	FY'22				H1'23			
	Upside	Base Case	Downside	Extreme downside	Upside	Base Case	Downside	Extreme downside
	18.6%	45.0%	20.8%	15.6%	19.5%	45.0%	21.5%	14.0%
ECL increase/(decrease) at 100% weighting (stage 1 and 2)	(445)	(216)	193	1,565	(355)	(148)	214	1,558

Weighted-average variables	FY'22		H1'23		Change		H1'23 Extreme Downside	
	2023	2024	2023	2024	2023	2024	2023	2024
UK GDP - annual growth	(1.1)	0.4	0.3	0.3	1.4	(0.1)	(0.3)	(4.1)
UK Unemployment - annual avg.	4.7	5.4	4.0	4.7	(0.7)	(0.8)	4.3	7.3
UK House Price Index[1]	(6.6)	(3.2)	(6.2)	(3.1)	0.4	0.1	(8.2)	(14.1)
UK Consumer Price Index[1]	6.0	3.1	4.0	3.2	(2.0)	0.1	7.0	6.8

Group ECL provisions, £bn, and coverage



1. Four quarter growth

UK Economic Assumptions[1]

Our economic assumptions and weightings updated in H1’23

	H1'23					Q1'23 and FY'22					H1'22				
Scenario	Upside	Base Case	Downside	Extreme downside		Upside	Base Case	Downside	Extreme downside		Upside	Base Case	Downside	Extreme downside	
Weighting	19%	45%	21%	16%	Weighted average	19%	45%	21%	16%	Weighted average	21%	45%	20%	14%	Weighted average
UK GDP – Annual Growth (%)															
2023	1.4	0.3	0.0	(0.3)	0.3	2.2	(0.9)	(2.8)	(3.1)	(1.1)	2.9	0.8	(2.4)	(5.1)	(0.2)
2024	3.8	0.8	(1.4)	(4.1)	0.3	1.9	0.7	(0.4)	(1.6)	0.4	1.7	1.4	2.1	0.3	1.5
5 year - CAGR[2]	1.8	0.9	0.4	(0.2)	0.8	2.2	1.3	0.8	0.4	1.2	2.3	1.6	1.3	0.5	1.5
UK Unemployment rate – annual average (%)															
2023	3.9	3.9	4.1	4.3	4.0	3.9	4.4	5.0	6.0	4.7	3.0	3.8	4.9	5.9	4.1
2024	3.3	4.2	5.1	7.3	4.7	3.9	4.9	5.7	8.4	5.4	3.3	4.0	4.8	8.7	4.7
5 year average[2]	3.5	4.2	4.9	6.6	4.6	3.9	4.5	4.9	6.7	4.8	3.3	4.0	4.5	6.3	4.3
UK House Price Index – four quarter growth (%)															
2023	(3.3)	(6.9)	(6.2)	(8.2)	(6.2)	7.5	(7.8)	(13.7)	(10.4)	(6.6)	5.5	2.0	(11.7)	(20.4)	(3.0)
2024	10.4	(1.0)	(13.2)	(14.1)	(3.1)	4.5	(0.9)	(7.7)	(15.2)	(3.2)	2.9	1.9	0.4	(4.6)	1.2
5 year - CAGR[2]	3.8	0.3	(0.8)	(6.0)	0.0	5.1	0.8	(0.7)	(4.4)	0.6	4.9	3.0	0.2	(1.8)	2.2
UK Commercial Real Estate Price – four quarter growth (%)															
2023	1.1	(5.8)	(7.8)	(10.7)	(5.6)	2.1	(8.4)	(19.7)	(22.4)	(11.0)	3.9	0.2	(10.8)	(27.6)	(4.6)
2024	5.5	0.5	(13.4)	(35.3)	(6.1)	1.9	(0.5)	2.8	(29.1)	(3.2)	1.4	(0.1)	4.5	8.5	1.9
5 year - CAGR[2]	3.3	0.2	(2.7)	(7.6)	(0.7)	1.2	(1.9)	(2.8)	(9.1)	(2.5)	2.6	0.6	(0.3)	(2.0)	0.5
Consumer price index - four quarter growth (%)															
2023	1.6	3.4	5.5	7.0	4.0	2.2	3.7	6.0	17.0	6.0	(0.9)	1.1	8.1	13.7	3.9
2024	1.1	2.3	4.3	6.8	3.2	1.0	2.7	1.0	8.8	3.1	2.0	2.0	0.4	6.4	2.3
5 year - CAGR[2]	1.7	2.3	4.2	3.7	2.8	3.6	4.2	4.4	8.2	4.8	2.9	3.1	4.1	7.4	3.9

1. Full details of the economic assumptions can be found on pages 19-22 of H1’23 IMS, pages 196 and 198 of NWG FY’22 ARA and pages 21 and 22 of NWG H1’22 IMS. 2. The basis for the average calculations has changed from H1 ’23 reporting. We now provide averages for 5 calendar year period that starts from reporting year (e.g., 2023-27 for H1’23 reporting). Historical periods have also been recalculated following the same approach to ensure comparability. The average for the parameters are based on: Five calendar year CAGR for GDP; Five calendar year average for Unemployment rate; Q4 to Q4 five-year CAGR for other parameters

Impairment charge/(release) by segment

	Retail Banking	Private Banking	Commercial & Institutional	Central items & other	Group
H1'23 (£m)	193	11	20	(1)	223
H1'23 (bps)	19	11	3	nm	12
H1'22 (£m)	26	(11)	(59)	(10)	(54)
H1'22 (bps)	3	(12)	(9)	nm	(3)

Q2'23 (£m)	79	3	64	7	153
Q2'23 (bps)	15	6	20	nm	16
Q1'23 (£m)	114	8	(44)	(8)	70
Q1'23 (bps)	22	17	(13)	nm	7
Q4'22 (£m)	87	2	62	(7)	144
Q4'22 (bps)	17	4	19	nm	16
Q2'22 (£m)	21	(6)	(48)	15	(18)
Q2'22 (bps)	4	(13)	(15)	nm	(2)

Asset quality[1]

Mortgage LTV distribution by stage												
	Total			Stage 1			Stage 2			Stage 3		
	FY'19	FY'22	H1'23	FY'19	FY'22	H1'23	FY'19	FY'22	H1'23	FY'19	FY'22	H1'23
≤50%	51,791	80,675	74,778	47,746	71,321	66,183	3,375	8,257	7,523	511	1,036	1,019
>50% and ≤70%	51,582	76,593	75,337	47,224	68,178	66,810	3,804	7,792	7,816	463	616	704
>70% and ≤80%	24,992	19,267	24,789	23,235	17,602	22,503	1,568	1,602	2,181	150	62	105
>80% and ≤90%	15,251	8,880	12,944	14,030	7,918	11,464	1,111	944	1,448	85	17	31
>90% and ≤100%	3,610	1,433	4,959	3,401	1,409	4,434	174	18	513	20	6	12
>100%	238	52	65	111	35	45	100	7	7	24	10	13
Total with LTVs	147,464	186,900	192,872	135,747	166,463	171,439	10,132	18,620	19,488	1,253	1,747	1,884
% of Group L&As	43.8%	49.4%	50.0%	40.3%	44.0%	44.4%	3.0%	4.9%	5.1%	0.4%	0.5%	0.5%
Total portfolio average LTV%	57%	53%	55%	57%	53%	55%	59%	52%	56%	66%	47%	49%

Commercial Real Estate (CRE) LTV distribution by stage												
	Total			Stage 1			Stage 2			Stage 3		
	FY'19	FY'22	H1'23	FY'19	FY'22	H1'23	FY'19	FY'22	H1'23	FY'19	FY'22	H1'23
≤50%	10,132	7,792	8,151	8,787	7,010	7,136	468	658	951	40	57	61
>50% and ≤70%	6,191	4,375	4,049	4,945	3,515	3,399	252	798	582	148	43	66
>70% and ≤100%	618	504	498	380	259	182	138	82	114	88	156	200
>100%	309	136	274	104	102	216	51	10	17	153	23	41
Total with LTVs	17,250	12,807	12,972	14,216	10,886	10,933	909	1,548	1,664	429	279	368
% of Group L&As	5.1%	3.4%	3.4%	4.2%	2.9%	2.8%	0.3%	0.4%	0.4%	0.1%	0.1%	0.1%
Total portfolio average LTV%	48%	47%	48%	46%	45%	47%	55%	52%	50%	101%	75%	80%
Other	2,835	2,568	2,311	658	1,800	1,703	149	627	493	123	55	51
Development	2,971	1,949	1,930	2,377	1,553	1,733	272	332	141	144	57	53
Total	23,056	17,324	17,213	17,251	14,239	14,369	1,330	2,507	2,298	696	391	472

1. Full tables available on pages 222 and 225 of NWG FY'22 ARA, pages 42 and 45 of the H1'22 IMS, pages 228 & 230 of FY'21 ARA and pages 194 & 196 of the FY'20 ARA. Note that total table numbers also include mortgages not within IFRS9 ECL scope. H1'23 IMS pages 40-43

Tangible net asset value

	GBP, m	Share count, m	Pence
As at 31 March 2023	**26,646**	**9,581**	**278**
Cushon acquisition	(196)		(2)
Final ordinary dividend (paid 2 May 2023)	(965)		(10)
Directed buy back (executed 22 May 2023)	(1,259)	(469)	1
On-market share buyback	(512)	(195)	0
Q2'23 proforma for distributions & acquisition	**23,714**	**8,917**	**267**
Attributable profit	1,020		11
of which: FX recycling gains	*322*		*4*
FX reserve (net of tax)	(426)		(5)
of which: FX recycling gains	*(322)*		*(4)*
Cash flow hedge reserve (net of tax)	(788)		(9)
Other movements	(105)	12	(3)
Net change	**(3,231)**	**(652)**	**(16)**
As at 30 June 2023	**23,415**	**8,929**	**262**

Segmental summary[1]

Ulster Bank ROI continuing operations are reflected within Central Items & other

Group Q2'23, £m	Retail Banking	Private Banking	Commercial & Institutional	Central items & other	Group
Net interest income	1,416	199	1,243	(34)	2,824
Non-interest income	100	72	552	303	1,027
Total income	**1,516**	**271**	**1,795**	**269**	**3,851**
Income ex-notable items	*1,516*	*271*	*1,792*	*(16)*	**3,563**
Other operating expenses	(650)	(159)	(934)	(132)	(1,875)
Litigation and conduct	(21)	(8)	(50)	27	(52)
Operating expenses	**(671)**	**(167)**	**(984)**	**(105)**	(1,927)
Operating profit/(loss) before impairment releases/(losses)	**845**	**104**	**811**	**164**	**1,924**
Impairment releases/(losses)	(79)	(3)	(64)	(7)	**(153)**
Operating profit/(loss)	**766**	**101**	**747**	**157**	**1,771**

£bn					
Net loans to customers - amortised cost	204.4	19.1	129.2	21.2	373.9
Customer Deposits	183.1	36.5	201.5	11.4	432.5
RWA's	57.3	11.5	103.6	5.1	177.5

Return on equity / tangible equity	**28.2%**	**20.8%**	**14.3%**	nm	**16.4%**
Cost:income ratio	**42.9%**	**58.7%**	**52.0%**	nm	**48.7%**

1. May not cast due to rounding.

Cautionary and Forward-looking statements
The guidance, targets, expectations and trends discussed in this presentation represent NatWest Group management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" in NWG's 2022 Annual Report and Accounts, the Risk Factors in the NWM 2022 Annual Report and Accounts, and the Summary Risk Factors in the NWG H1 2023 IMS and the NWM Plc H1 2023 IMS.

Cautionary statement regarding forward-looking statements
Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include 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. In particular, this document includes forward-looking targets and guidance relating to financial performance measures, such as income growth, operating expense, RoTE, ROE, discretionary capital distribution targets, impairment loss rates, balance sheet reduction, including the reduction of RWAs, CET1 ratio (and key drivers of the CET1 ratio including timing, impact and details), Pillar 2 and other regulatory buffer requirements and MREL and non-financial performance measures, such as NatWest Group's initial area of focus, climate and ESG-related performance ambitions, targets and metrics, including in relation to initiatives to transition to a net zero economy, Climate and Sustainable Funding and Financing (CSFF) and financed emissions. In addition, this document includes forward-looking statements relating, but not limited to: implementation of NatWest Group's purpose-led strategy and other strategic priorities (including in relation to: phased withdrawal from ROI, cost-controlling measures, the creation of the C&I franchise and the progression towards working as One Bank across NatWest Group to serve customers); the timing and outcome of litigation and government and regulatory investigations; direct and on-market buy-backs; funding plans and credit risk profile; managing its capital position; liquidity ratio; portfolios; net interest margin and drivers related thereto; lending and income growth, product share and growth in target segments; impairments and write-downs; restructuring and remediation costs and charges; NatWest Group's exposure to political risk, economic assumptions and risk, climate, environmental and sustainability risk, operational risk, conduct risk, financial crime risk, cyber, data and IT risk and credit rating risk and to various types of market risk, including interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience, including our Net Promotor Score (NPS); employee engagement and gender balance in leadership positions.

Limitations inherent to forward-looking statements
These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's strategy or operations, which may result in NatWest Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future results, gains or losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein, whether to reflect any change in our expectations with regard thereto, any change in events, conditions or circumstances on which any such statement is based, or otherwise, except to the extent legally required.

Important factors that could affect the actual outcome of the forward-looking statements
We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Group plc's Annual Report on Form 20-F, the Summary Risk Factors in the Natwest Group plc's H1 IMS, and its other filings with the US Securities and Exchange Commission. The principal risks and uncertainties that could adversely NatWest Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: economic and political risk (including in respect of: political and economic risks and uncertainty in the UK and global markets, including due to high inflation and rising interest rates, supply chain disruption and the Russian invasion of Ukraine); changes in interest rates and foreign currency exchange rates; uncertainty regarding the effects of Brexit; and HM Treasury's ownership as the largest shareholder of NatWest Group plc); strategic risk (including in respect of the implementation of NatWest Group's purpose-led strategy; future acquisitions and divestments; the phased withdrawal from ROI and the transfer of its Western European corporate portfolio); financial resilience risk (including in respect of: NatWest Group's ability to meet targets and to make discretionary capital distributions; the competitive environment; counterparty and borrower risk; prudential regulatory requirements for capital and MREL; liquidity and funding risks; reductions in the credit ratings; the requirements of regulatory stress tests; model risk; sensitivity to accounting policies, judgments, estimates and assumptions (and the economic, climate, competitive and other forward looking information affecting those judgments, estimates and assumptions); changes in applicable accounting standards; the value or effectiveness of credit protection; the adequacy of NatWest Group's future assessments by the Prudential Regulation Authority and the Bank of England; and the application of UK statutory stabilisation or resolution powers); climate and sustainability risk (including in respect of: risks relating to climate change and sustainability-related risks; both the execution and reputational risk relating to NatWest Group's climate change-related strategy, ambitions, targets and transition plan; climate and sustainability-related data and model risk; the failure to implement climate change resilient governance, systems, controls and procedures; increasing levels of climate, environmental, human rights and sustainability-related regulation and oversight; climate, environmental and sustainability-related litigation, enforcement proceedings investigations and conduct risk; and reductions in ESG ratings); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; complex IT systems; attracting, retaining and developing diverse senior management and skilled personnel; NatWest Group's risk management framework; and reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; the outcome of legal, regulatory and governmental actions, investigations and remedial undertakings; the transition of LIBOR other IBOR rates to replacement risk-free rates; and changes in tax legislation or failure to generate future taxable profits).

Climate and ESG disclosures
Climate and ESG disclosures in this document are not measures within the scope of International Financial Reporting Standards ('IFRS'), use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities, than our reporting of historical financial information in accordance with IFRS. These judgements, assumptions and estimates are highly likely to change over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, our climate risk analysis, net zero strategy, including the implementation of our climate transition plan remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. The process we have adopted to define, gather and report data on our performance on climate and ESG measures is not subject to the formal processes adopted for financial reporting in accordance with IFRS and there are currently limited industry standards or globally recognised established practices for measuring and defining climate and ESG related metrics. As a result, we expect that certain climate and ESG disclosures made in this document are likely to be amended, updated, recalculated or restated in the future. Please also refer to the cautionary statement in the section entitled 'Climate-related and other forward-looking statements and metrics' of the NatWest Group 2022 Climate-related Disclosures Report.

Cautionary statement regarding Non-IFRS financial measures and APMs
NatWest Group prepares its financial statements in accordance with generally accepted accounting principles (GAAP). This document may contain financial measures and ratios not specifically defined under GAAP or IFRS ('Non-IFRS') and/or alternative performance measures ('APMs') as defined in European Securities and Markets Authority ('ESMA') guidelines. APMs 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. 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. Any Non-IFRS measures and/or APMs included in this document, are not measures within the scope of IFRS, are based on a number of assumptions that are subject to uncertainties and change, and are not a substitute for IFRS measures.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or a solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments