22-I-0017
June 1, 2022

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

NatWest Group plc (security code: -)
(Formerly The Royal Bank of Scotland Group plc)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A
Outlook:	Stable

National Westminster Bank Plc (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A+
Outlook:	Stable

NatWest Markets Plc (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A
Outlook:	Stable
Bonds:	A

Rationale

(1) NatWest Group, based in Edinburgh, the United Kingdom (UK), is a major financial group predominantly focused on the UK. JCR considers the group's creditworthiness to be equivalent to A+. This mainly reflects its solid business base in the UK, sound asset quality and solid capital base. The issuer rating of National Westminster Bank Plc (NatWest Bank) is equivalent to the group's creditworthiness as it is its core bank. The issuer rating of NatWest Group plc (NatWest) is one notch below that of its core bank. This is mainly because it adopts a single point-of-entry formula, where the creditors of the holding company primarily absorb losses at the time of a resolution. The issuer rating of NatWest Markets Plc (NatWest Markets) is one notch below the group's creditworthiness because JCR considers it is less strategically important than ring-fenced banks.

(2) The group's asset quality and earnings slightly deteriorated in 2020 due mainly to the impact of the pandemic, but both have currently improved to the pre-pandemic levels. Its capital base remains solid. The group has marginal exposure to Russia, and its direct impact is limited. While the UK economy, where the group has its core business base, is recovering on resumption of economic activities thanks to the containment of the pandemic, the indirect impact of Russian invasion of Ukraine is putting downward pressure on the economy. The group may require additional loan-loss provisions, but JCR believes that they will be within the range that can be absorbed by earnings. Meanwhile, the changing consumer behavior has been further fueling competition particularly in mobile banking. JCR will keep an eye on its possible impact on the group's future profit performance.

(3) The group is one of four major banking groups in the UK and maintains a solid business base. It has had seven business segments, including Retail Banking (RB), Commercial Banking (CB) and NatWest Markets (NWM) until 2021. From the first quarter of 2022, CB, NWM and RBS International were combined into one segment called Corporate & Institutional (C&I) with the business segments reorganized into three, which are RB, C&I and Private Banking. RB provides retail banking services in the UK mainly to individual customers. Its market share of personal current account and mortgage loan outstanding in the UK has been moderately increasing respectively. It also has 9.7 million active digital users and 8.3 million active users of mobile app. C&I, which provides banking services to SMEs and large enterprises, retains high business current account market share in the UK and also offers investment banking services through NatWest Markets. In addition, the group is engaged in private banking. According to the group's strategic plan, it intends to transform the group into a purpose-led bank. The plan also involves a phased withdrawal from the Republic of Ireland and refocusing the business franchise of NatWest Markets. The business refocusing is largely completed. In addition, it is actively developing digital banking utilizing IT and AI.

(4) RB and CB each earn about 40% of the group's consolidated total income in 2021. Geographically, more than 90% of its total income is concentrated in the UK. The group's earnings performance slipped into a marginal pre-tax loss in 2020 due mainly to a larger volume of loan-loss provisions it had to set aside to address the impact of the pandemic. However, the earnings recovered to the pre-pandemic level in 2021 due mainly to reversal of loan-loss provisions. As total income stayed flat, pre-provision profit was almost unchanged at GBP 2.8 billion with containing overall expenses. Pre-tax income totaled GBP 4 billion including impairment released of GBP 1.3 billion amid the improving economic environments. The cost reduction target was achieved as planned.

(5) Asset quality had slightly weakened due to the impact of the pandemic but has now improved to the pre-pandemic level. The group's consolidated assets at the end of 2021 broke down into 46% of customer loans, 23% of cash/cash equivalents, 14% of derivatives, 8% of trading assets and 10% of other assets. Geographically, around 90% of its loans were concentrated in the UK. Mortgage loans accounted for around 50% of the total loan portfolio, with the remainder well dispersed on an industry-by-industry basis. The shares of commercial real estate (CRE) loans and credit cards/personal loans, which carry higher credit risk, remained small, accounting for 4% each. As in the previous year, the average LTV of mortgage loans and CRE loans stayed low at 54% and 50%, respectively. Risks from concentration on big borrowers were also kept minimal. Asset quality weakened in 2020 as the Stage 2 loans increased significantly, but the outstanding at the end of 2021 decreased to pre-pandemic level with retaining marginal Stage 3 loans. Meanwhile, the group held only a small volume of Level 3 assets and most of its goodwill was related to its UK business. It also held a relatively small net position for derivatives, which were primarily aimed to provide risk solutions to customers. Its trading assets mainly consisted of reverse repos, cash-secured derivatives and investment-grade securities such as government bonds. Its overall market risks were kept low.

(6) The group's capitalization remained sufficient relative to the risks it faces. Its consolidated CET1 ratio declined moderately to 18.2% at the end of 2021 from 18.5% a year earlier but is still high compared to other major UK banks. While capital increases through profit accumulation remains limited due mainly to higher shareholder distribution, a significant reduction of RWA has been contributing to its higher ratio. The CET1 ratio fell to 15.2% at the end of the first quarter of 2022 due mainly to the regulatory revision of the RWA calculation and the buy-back of government-owned shares. The capital injected by the UK government in 2008 and 2009 was entirely converted into NatWest shares. NatWest has bought back shares from the government and market several times since 2015. In 2022, it again bought back shares from the government and market, reducing the government's shareholding ratio to 48% in terms of voting rights. The government had initially intended to fully exit its ownership by 2024 but has put it off till 2026 in consideration of the impact of the pandemic. The group's loan-to-deposit ratio further reduced from 84% at the end of 2020 to 75% at the end of 2021 as deposits were boosted by income compensation measures backed by UK government. The group relies less on funding from the market and has built up its liquidity with increased deposits.

Toshihiko Naito, Tomohiro Miyao, Shinya Iwasaki

Rating

Issuer: NatWest Group plc

<Affirmation>

Foreign Currency Long-term Issuer Rating: A Outlook: Stable

Issuer: National Westminster Bank Plc

< Affirmation>

Foreign Currency Long-term Issuer Rating: A+ Outlook: Stable

Issuer: NatWest Markets Plc

<Affirmation>

Foreign Currency Long-term Issuer Rating: A Outlook: Stable

Issues	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Euroyen Fixed Rate Senior Notes Due 4 July 2022	JPY 41.7	July 4, 2019	July 4, 2022	0.737%	A
Euroyen Fixed Rate Senior Notes Due 4 July 2024	JPY 8.3	July 4, 2019	July 4, 2024	0.848%	A

Rating Assignment Date: May 27, 2022

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "JCR's Rating Methodology"(November 7, 2014), "Banks" (October 1, 2021), and "Rating Methodology for Financial Groups' Holding companies and Group Companies" (March 29, 2019)" in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	NatWest Group plc National Westminster Bank Plc NatWest Markets Plc
Rating Publication Date:	June 1, 2022

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

・ Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

・ Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

・ The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.

・ The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases
The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality
The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions
The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

  A) Audited financial statements presented by the rating stakeholders

  B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the order of seniority in repayment of interests and principal. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches if the issuer's financial structure differs so much and thereby the balance between debts shifted so greatly. Rating change is also possible in case of the financial products for which non-payment of interest/ principal is contractually permissible, if and when the assumptions made at the time of its determination turns out to be inaccurate. The change of the credit rating is assumed to be by a notch but often as much as a few notches.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

・ The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
NatWest Group plc	Issuer(Long-term)(FC)	February 22, 2019	A	Stable
NatWest Group plc	Issuer(Long-term)(FC)	May 22, 2020	A	Stable
NatWest Group plc	Issuer(Long-term)(FC)	May 21, 2021	A	Stable

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
National Westminster Bank Plc	Issuer(Long-term)(FC)	February 22, 2019	A+	Stable
National Westminster Bank Plc	Issuer(Long-term)(FC)	May 22, 2020	A+	Stable
National Westminster Bank Plc	Issuer(Long-term)(FC)	May 21, 2021	A+	Stable

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
NatWest Markets Plc	Issuer(Long-term)(FC)	February 22, 2019	A	Stable
NatWest Markets Plc	Issuer(Long-term)(FC)	May 22, 2020	A	Stable
NatWest Markets Plc	Issuer(Long-term)(FC)	May 21, 2021	A	Stable
NatWest Markets Plc	Euroyen Fixed Rate Senior Notes, Due 4 July 2022	June 27, 2019	A	
NatWest Markets Plc	Euroyen Fixed Rate Senior Notes, Due 4 July 2022	May 22, 2020	A	
NatWest Markets Plc	Euroyen Fixed Rate Senior Notes, Due 4 July 2022	May 21, 2021	A	
NatWest Markets Plc	Euroyen Fixed Rate Senior Notes, Due 4 July 2024	June 27, 2019	A	
NatWest Markets Plc	Euroyen Fixed Rate Senior Notes, Due 4 July 2024	May 22, 2020	A	
NatWest Markets Plc	Euroyen Fixed Rate Senior Notes, Due 4 July 2024	May 21, 2021	A	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Toshihiko Naito
General Manager of International Rating Department

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026