

NatWest Group

1Q23 – 16% earnings beat, 20% RoTE,
guidance reiterated

Reiterate Rating: BUY | PO: 390.00 GBp | Price: 272.20 GBp

Strong profitability and distributions intact

Q1 earnings are ahead of consensus but unchanged FY23 guidance implies a lower income and higher provision run rate for the remainder of the year. Anticipating interest rates above the current level and benign credit quality, our earnings are broadly unchanged (Exhibit 13) and we see NatWest delivering RoTE (Exhibit 13) and a capital distribution yield (Exhibit 16) in the mid teens. We reiterate Buy.

1Q23 16% ahead of consensus, 20% RoTE

£1,818m profit before tax is 16% above consensus on strong non interest income and lower provisions, 23% and 71% better than consensus respectively (Exhibit 1), with most of the outperformance from the Commercial and Institutional division (Exhibit 2). The CET1 ratio increased 20bp QoQ to 14.4% and tangible book per share rose 5% to 278p.

Revenue outlook likely market focus

Unchanged FY23 revenue and net interest margin guidance implies a lower run rate for the rest of the year. We think that the company's slightly increased interest rate expectation, now 4.25% for the rest of the year, is likely offset by a smaller liquidity portfolio. Average balances were down £20bn QoQ (Exhibit 8) after another quarter of deposit outflows (Exhibit 7) so average liquidity through 2023 will be lower, even if operating business deposits are rebuilt as planned. Stronger lending than we'd anticipated (Exhibit 5) provides some offset and market expectations for interest rates near 5% (Exhibit 4) would support stronger than guided revenues, we believe.

Consensus provisions high, cost affirmation reassuring

A 7bp loan loss rate in Q1 benefited from write backs in Commercial & Institutional and is well below FY23 guidance of 20-30bp. Current consensus implies a 40bp charge for the remainder of the year (Exhibit 9). Its early in the year but this looks high to us. We see the reiteration of previous cost guidance as reassuring.

Estimates (Dec) (GBp)	2021A	2022A	2023E	2024E	2025E
Net Profit (£m)	2,674	3,602	4,252	4,383	4,934
EPS (Adjusted)	23.4	37.8	45.8	51.2	62.2
Dividend / Share	11.3	13.8	18.0	22.0	26.0
Adjusted NAV PS	292	262	282	322	371
ADR EPS (Adjusted - US\$)	0.64	0.93	1.14	1.28	1.55
ADR Dividend / Shares (US\$)	0.31	0.34	0.45	0.55	0.65
Valuation (Dec)					
P/E	11.6	7.20	5.94	5.32	4.38
EPS Change (YoY)	362%	61.6%	21.2%	11.8%	21.5%
Price / BV	0.76x	0.81x	0.75x	0.66x	0.58x
Price / NAV	0.93x	1.04x	0.96x	0.85x	0.73x
Net Yield	4.15%	5.06%	6.61%	8.08%	9.55%
DPS Change (YoY)	250%	21.8%	30.7%	22.2%	18.2%
Price / GOP	10.7x	4.91x	3.48x	3.05x	2.55x

28 April 2023

Equity

Key Changes

(GBp)	Previous	Current
2023E EPS	45.31	45.79
2024E EPS	51.76	51.19
2025E EPS	62.73	62.19

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Stock Data

Price (Common / ADR)	272.20 GBp / 6.97 USD
Price Objective	390.00 GBp / 9.73 USD
Date Established	17-Feb-2023 / 28-Apr-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	201.37 GBp-313.10 GBp
Market Value (mn)	25,941 GBp
Shares Outstanding (mn)	9,530.0 / 4,765.0
Average Daily Value (mn)	63.68 USD
Free Float	57.6%
BofA Ticker / Exchange	RBSPF / LSE
BofA Ticker / Exchange	NWG / NYS
Bloomberg / Reuters	NWG LN / NWG.L
ROE (2023E)	13.1%
ESGMeter™	High

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Refer to important disclosures on page 12 to 15. Analyst Certification on page 10. Price Objective Basis/Risk on page 10.

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Timestamp: 28 April 2023 02:05AM EDT

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Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(£ Millions)	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
Net Interest Income	7,614	9,842	12,157	12,525	13,203
Net Fee Income	2,124	2,292	2,265	2,370	2,456
Securities Gains / (Losses)	317	1,133	0	0	0
Other Income	457	(111)	908	750	763
Total Non-Interest Income	2,898	3,314	3,173	3,120	3,219
Total Operating Income	10,512	13,156	15,331	15,645	16,422
Operating Expenses	(7,758)	(7,687)	(8,065)	(7,997)	(7,963)
Pre-Provision Profit	2,754	5,469	7,266	7,647	8,459
Provisions Expense	1,278	(337)	(857)	(1,096)	(1,163)
Operating Profit	4,032	5,132	6,408	6,551	7,297
Non-Operating Items	0	0	0	0	0
Pre-Tax Income	4,032	5,132	6,408	6,551	7,297
Net Income to sh/holders	2,674	3,602	4,252	4,383	4,934
Adjusted Cash Earnings	2,524	3,731	4,252	4,383	4,934

Key Balance Sheet Data	2021A	2022A	2023E	2024E	2025E
Total Assets	781,992	720,053	729,304	745,584	767,893
Average Interest Earning Assets	504,303	534,524	554,019	569,690	581,641
Risk Weighted Assets	156,971	176,101	178,771	183,566	189,538
Total Gross Customer Loans	362,796	369,774	379,369	391,414	403,608
Total Customer Deposits	479,810	450,318	445,308	452,528	459,943
Tier 1 Capital	32,471	28,867	27,996	28,659	29,753
Tangible Equity	30,689	25,482	25,328	26,589	28,655
Common Shareholders' Equity	37,412	32,598	32,444	33,705	35,771

Key Metrics	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	1.45%	1.81%	2.16%	2.18%	2.25%
Tier 1 Ratio	20.7%	16.4%	15.7%	15.6%	15.7%
Effective Tax Rate	24.7%	24.8%	29.7%	29.3%	29.0%
Loan / Assets Ratio	45.9%	50.9%	51.6%	52.1%	52.1%
Loan / Deposit Ratio	74.8%	81.4%	84.5%	85.8%	87.0%
Oper Leverage (Inc Growth - Cost Growth)	1.31%	26.1%	11.6%	2.89%	5.40%
Gearing (Assets / Equity)	20.9x	22.1x	22.5x	22.1x	21.5x
Tangible Equity / Assets	3.92%	3.54%	3.47%	3.57%	3.73%
Tangible Equity / RWAs	19.6%	14.5%	14.2%	14.5%	15.1%

Business Performance	2021A	2022A	2023E	2024E	2025E
Revenue Growth	0.04%	25.2%	16.5%	2.05%	4.97%
Operating Expense Growth	-1.27%	-0.92%	4.92%	-0.84%	-0.43%
Provisions Expense Growth	-141%	-126%	154%	27.9%	6.07%
Operating Revenue / Average Assets	0.51%	0.68%	0.88%	0.89%	0.96%
Operating Expenses / Average Assets	-0.98%	-1.02%	-1.11%	-1.08%	-1.05%
Pre-Provision ROA	0.35%	0.73%	1.00%	1.04%	1.12%
ROA	0.34%	0.48%	0.59%	0.59%	0.65%
Pre-Provision ROE	7.27%	15.6%	22.3%	23.1%	24.4%
ROE	7.06%	10.3%	13.1%	13.3%	14.2%
RoTE	8.09%	13.3%	16.7%	16.9%	17.9%
RoRWAs	1.54%	2.24%	2.40%	2.42%	2.64%
Dividend Payout Ratio	48.3%	36.4%	39.3%	43.0%	41.8%
Efficiency Ratio (Cost / Income Ratio)	73.8%	58.4%	52.6%	51.1%	48.5%

Quality of Earnings	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	27.6%	25.2%	20.7%	19.9%	19.6%
Market-Related Revenue / Total Revenues	3.02%	8.61%	0%	0%	0%
Provisioning Burden as % of PPP	-46.4%	6.16%	11.8%	14.3%	13.7%
NPLs plus Foreclosed Real Estate / Loans	1.40%	1.39%	1.73%	1.67%	1.62%
Loan Loss Reserves / NPLs	75.8%	67.4%	50.0%	50.0%	50.0%
Loan Loss Reserves / Total Loans	1.06%	0.94%	0.86%	0.84%	0.81%
Provisions Expense / Average Loans	-0.36%	0.09%	0.23%	0.29%	0.29%

Company Sector

Banks-Retail

Company Description

NatWest is primarily a UK-focused retail and commercial banking business. It carries out similar activities in the Republic of Ireland and has a relatively small broader international presence. Investment banking activities have been scaled down substantially and are now primarily aimed at servicing the company's corporate customers.

Investment Rationale

NatWest's focus on growth, clear commitment to cost reduction and strong balance sheet see it well positioned for a UK economic recovery. We see this driving above cost of equity profitability and facilitating attractive capital distributions, not reflected in the current valuation. Action from the Bank of England on policy rates or macro prudential tools could provide further upside.

Stock Data

Shares / ADR	2.00
Price to Book Value	0.7x

Key Changes

(US\$)	Previous	Current
Price Obj.	9.69	9.73
2023E EPS	1.13	1.14
2024E EPS	1.29	1.28
2025E EPS	1.56	1.55

1Q23 performance

Exhibit 1: NatWest performance 1Q23 (£m unless stated)

Profit before tax 16% ahead of consensus, higher non interest income, lower provisions, 19.8% RoTE

	1Q22	2Q22	3Q22	4Q22	1Q23			1Q23 vs			
					Act	Cons	BofA	Cons	Act	1Q22	4Q22
P&L											
Net interest income	2,027	2,307	2,640	2,868	2,902	2,965	2,984	-2%	-3%	43%	1%
Non interest income	981	904	589	840	974	794	781	23%	25%	-1%	16%
Total income	3,008	3,211	3,229	3,708	3,876	3,759	3,765	3%	3%	29%	5%
Other expenses	(1,718)	(1,766)	(1,771)	(2,047)	(1,932)	(1,863)	(1,820)	4%	6%	12%	-6%
Litigation & conduct costs	(102)	(67)	(125)	(91)	(56)	(86)	(100)	-	-	-	-
Operating expenses	(1,820)	(1,833)	(1,896)	(2,138)	(1,988)	(1,949)	(1,920)	2%	4%	9%	-7%
Gross operating profit	1,188	1,378	1,333	1,570	1,888	1,811	1,845	4%	2%	59%	20%
Impairments	36	18	(247)	(144)	(70)	(238)	(190)	-71%	-63%	-294%	-51%
Profit before tax	1,224	1,396	1,086	1,426	1,818	1,573	1,654	16%	10%	49%	27%
Tax	(386)	(409)	(434)	(46)	(512)	(431)	(414)	19%	24%	33%	-
Discontinued operations	63	127	(396)	(56)	35	(12)	0	-392%	-	-44%	-
Minorities	(60)	(64)	(69)	(62)	(62)	(61)	(63)	2%	-1%	3%	-
Attributable profit	841	1,050	187	1,262	1,279	1,069	1,178	20%	9%	52%	1%
Own credit adjustment	18	34	9	(19)	6	0	0	-	-	-	-
NatWest Markets asset disposal losses	0	0	0	0	0	0	0	-	-	-	-
Other	206	63	(177)	(39)	50	0	0	-	-	-	-
Notable items in income	224	97	(168)	(58)	56	0	0	-	-	-	-
P&L ex notable items											
Income	2,784	3,114	3,397	3,766	3,820	3,759	3,765	2%	1%	37%	1%
Expenses	(1,718)	(1,766)	(1,771)	(2,047)	(1,932)	(1,863)	(1,820)	4%	6%	12%	-6%
Gross operating profit	1,066	1,348	1,626	1,719	1,888	1,896	1,945	0%	-3%	77%	10%
Impairments	36	18	(247)	(144)	(70)	(238)	(190)	-71%	-63%	-294%	-51%
Profit before tax	1,102	1,366	1,379	1,575	1,818	1,658	1,754	10%	4%	65%	15%
Key metrics											
Net interest margin (Banking)	2.46%	2.72%	2.99%	3.20%	3.27%	3.38%	3.39%	-0.11%	-0.12%	0.81%	0.07%
Average interest earning assets (Banking), £bn	339	340	350	356	360	356	357	-	1%	-	-
Cost: income ratio	57.1%	55.0%	54.8%	55.2%	49.8%	49.6%	48.4%	0.3%	1.5%	-7.3%	-5.4%
Cost of risk	-0.04%	-0.02%	0.26%	0.15%	0.07%	0.26%	0.20%	-0.19%	-0.13%	0.11%	-0.08%
CET1 ratio	15.2%	14.3%	14.3%	14.2%	14.4%	14.0%	14.7%	0.4%	-0.3%	-0.8%	0.2%
Risk weighted assets (£bn)	177	180	178	176	178	176	175	1%	2%	1%	1%
TNAV per share (p)	290	287	250	264	278	267	267	4%	4%	-4%	5%
Ordinary DPS (p)	0.0	3.8	0.0	10.0	0.0	0.0	0.0	-	-	-	-
Special DPS (p)	0.0	18.1	0.0	0.0	0.0	0.0	0.0	-	-	-	-
Total DPS (p)	0.0	21.9	0.0	10.0	0.0	0.0	0.0	-	-	-	-
Share buyback (£m)	1,462	0	0	800	0	1,125	0	-	-	-	-

Source: BofA Global Research estimates, company reports, company compiled consensus

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Exhibit 2: Divisional performance 1Q23

Commercial & Institutional income and provisions main areas of outperformance

	1Q22	2Q22	3Q22	4Q22	1Q23		1Q23 vs		
					Actual	BofA	BofA	1Q22	4Q22
Retail Banking									
Income	1,217	1,337	1,475	1,617	1,604	1,650	-3%	32%	-1%
Expenses	(645)	(597)	(693)	(658)	(696)	(641)	9%	8%	6%
Impairments	(5)	(21)	(116)	(87)	(114)	(74)	54%	2180%	31%
Profit before tax	567	719	666	872	794	935	-15%	40%	-9%
Private Banking									
Income	216	245	285	310	296	308	-4%	37%	-5%
Expenses	(139)	(146)	(139)	(198)	(155)	(127)	22%	12%	-22%
Impairments	5	6	(7)	(2)	(8)	(1)	-	-	-
Profit before tax	82	105	139	110	133	180	-26%	62%	21%
Commercial & Institutional									
Income	1,375	1,562	1,657	1,819	1,953	1,812	8%	42%	7%
Expenses	(922)	(898)	(893)	(1,031)	(1,003)	(920)	9%	9%	-3%
Impairments	11	48	(119)	(62)	44	(115)	-138%	300%	-171%
Profit before tax	464	712	645	726	994	778	28%	114%	37%
Central & Other									
Income	200	67	(188)	(38)	23	(5)	-560%	-89%	-161%
Expenses	(114)	(192)	(171)	(251)	(134)	(233)	-43%	18%	-47%
Impairments	25	(15)	(5)	7	8	0	-	-	-
Profit before tax	111	(140)	(364)	(282)	(103)	(238)	-57%	-193%	-63%

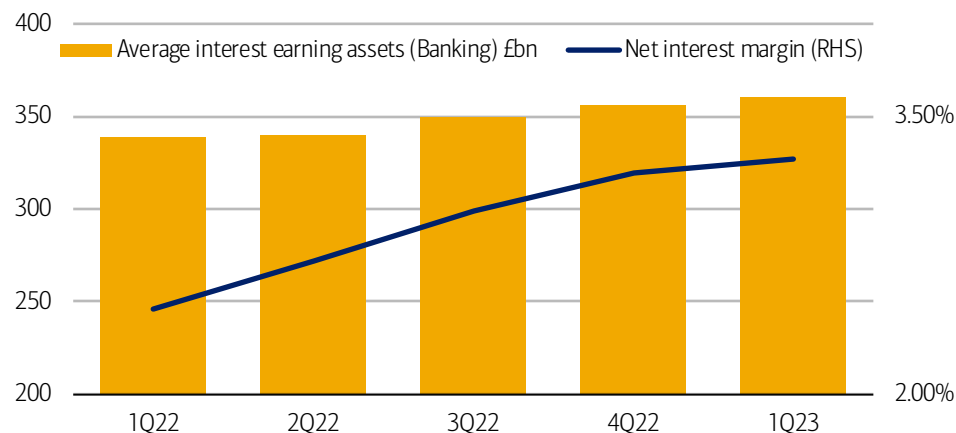
Source: BofA Global Research estimates, company reports, company compiled consensus

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Margin and volumes

Exhibit 3: Net interest income drivers

Slowing margin expansion, rising loan volumes

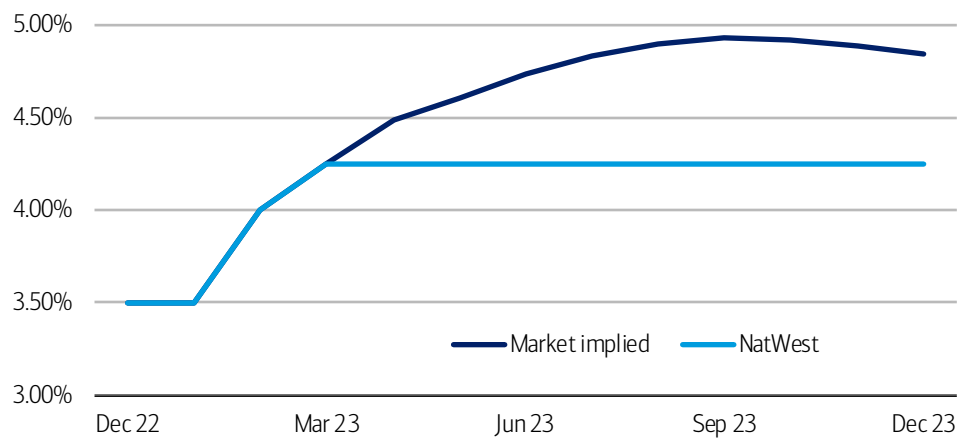


Source: Company data

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Exhibit 4: UK policy rate expectations

NatWest assuming 2023 average 40bp below current market expectations

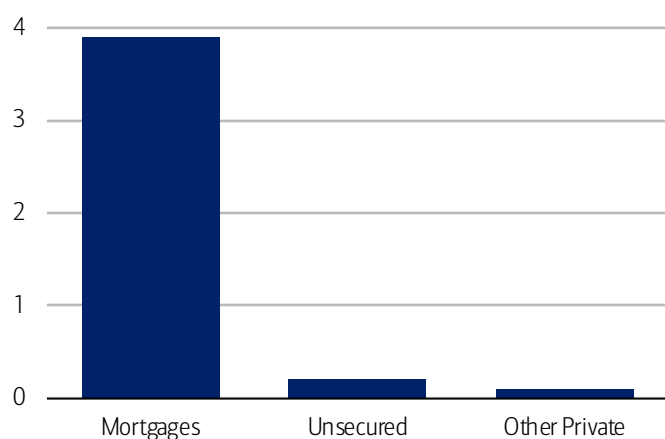


Source: Bank of England, Bloomberg, company data

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Exhibit 5: Q1 loan growth Retail and Private Banking (£bn)

2% QoQ growth driven by strong mortgage lending

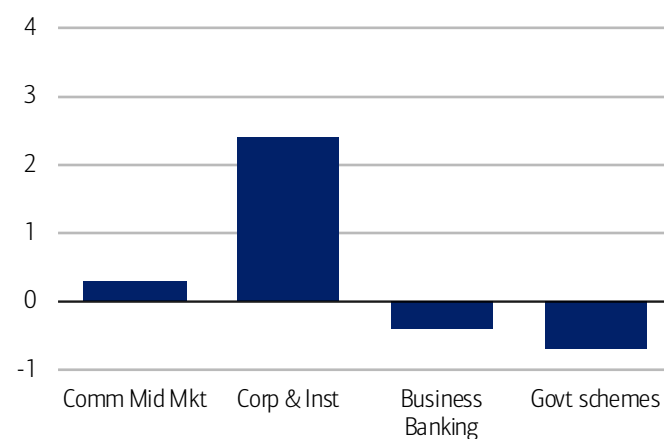


Source: Company data

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Exhibit 6: Q1 loan growth Commercial & Institutional (£bn)

Up 1% QoQ driven by large corporate & Institutional

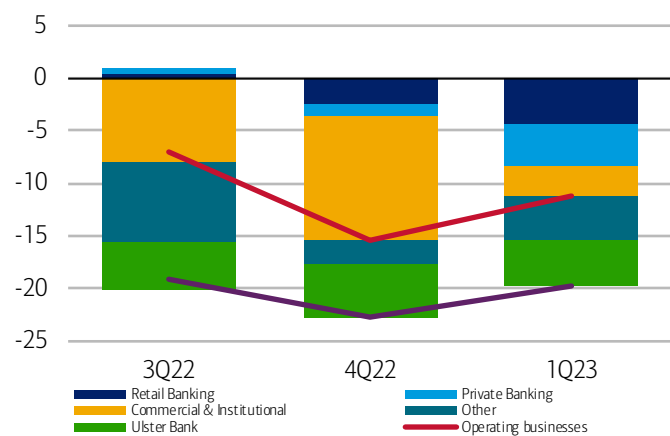


Source: Company data

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Exhibit 7: Deposit flows QoQ (£bn)

£11bn reduction in operating business deposits in 1Q23

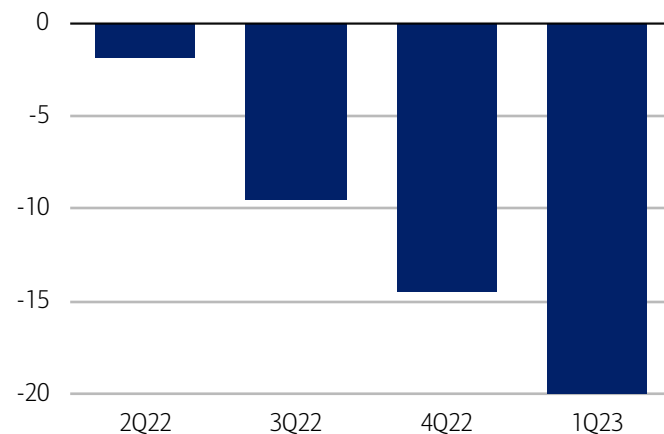


Source: Company data

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Exhibit 8: Average liquid asset buffer (£bn)

£20bn lower QoQ in 1Q23



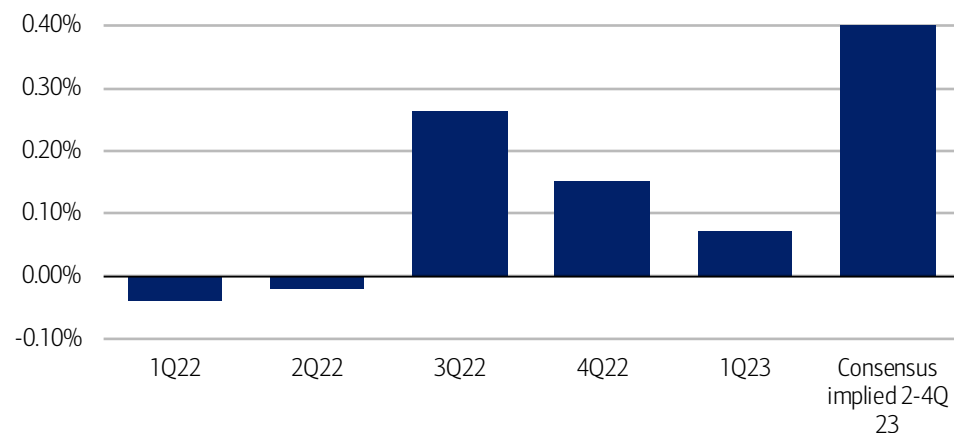
Source: Company data

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Consensus loan losses look high

Exhibit 9: Loan impairment charge

Consensus implies 40bp for the remainder of the year, well above 20-30bp normalised



Source: Company data, company compiled consensus

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Financials and valuation

Exhibit 10: Forecast changes

Little change to our earnings estimates

	2023E			2024E			2025E		
	New	Old	Change	New	Old	Change	New	Old	Change
Income	15,331	15,298	0%	15,645	15,635	0%	16,422	16,390	0%
Costs	(8,065)	(8,065)	0%	(7,997)	(7,997)	0%	(7,963)	(7,963)	0%
Impairments	(857)	(902)	-5%	(1,096)	(1,057)	4%	(1,163)	(1,118)	4%
Statutory PBT	6,408	6,330	1%	6,551	6,580	0%	7,297	7,309	0%
Tax	(1,906)	(1,884)	1%	(1,918)	(1,927)	0%	(2,113)	(2,117)	0%
Discontinued operations	0	0	-	0	0	-	0	0	-
Minorities	(250)	(250)	0%	(250)	(250)	0%	(250)	(250)	0%
Attributable profit	4,252	4,196	1%	4,383	4,404	0%	4,934	4,943	0%
Statutory EPS (p)	45.8	45.3	1%	51.2	51.8	-1%	62.2	62.7	-1%
Ord + Special DPS (p)	18.0	18.0	0%	22.0	22.0	0%	26.0	26.0	0%
Share buybacks (£bn)	2.0	2.0	0%	2.2	2.2	0%	1.8	1.8	0%

Source: Company data, BofA Global Research estimates

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Exhibit 11: Fundamental valuation

437p Gordon Growth model based valuation

	Value (p)
RoTE 2025E	17.9%
CoE	12.5%
Growth	0%
Book multiple	1.4x
Book multiple discounted to 1 year from now	1.2x
2023E tangible book value	284
Value pre capital distribution	333
Present value of dividend	54
Present value of share buyback	51
Fundamental fair value	437
Price objective	390

Source: BofA Global Research estimates

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Exhibit 12: European Banks sector relative PE valuation

317p valuation on sector PE

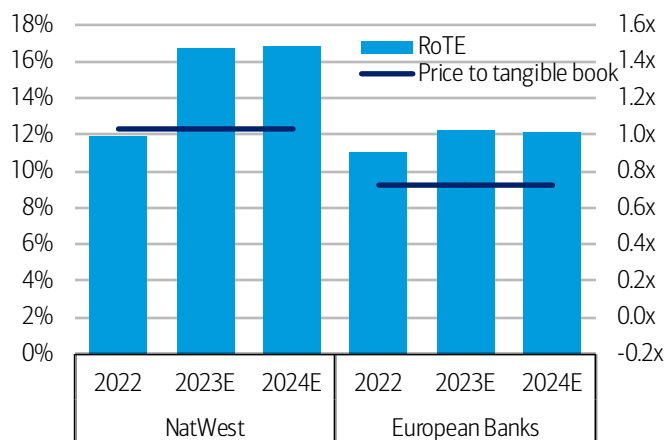
	Value (p)
NatWest 1 year forward EPS	47.6
European Bank sector 1 year forward PE	6.7x
NatWest valued on sector multiple	317

Source: BofA Global Research estimates

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Exhibit 13: RoTE and price to tangible book multiple

40% price to book premium in line with profitability

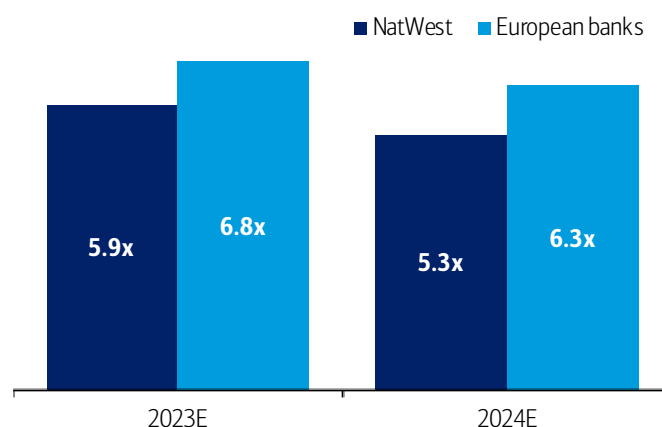


Source: Bloomberg, BofA Global Research estimates

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Exhibit 14: PE multiple, NatWest vs European Banks sector

2024E PE 5.3x, 16% below the European Bank sector

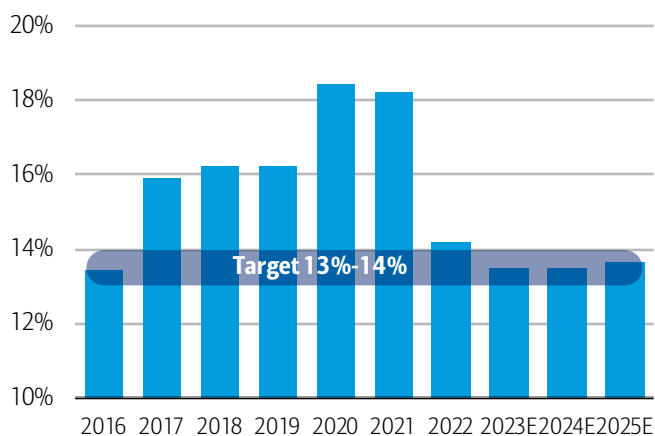


Source: Bloomberg, BofA Global Research estimates

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Exhibit 15: NatWest CET1 ratio

Comfortably within 13-14% target

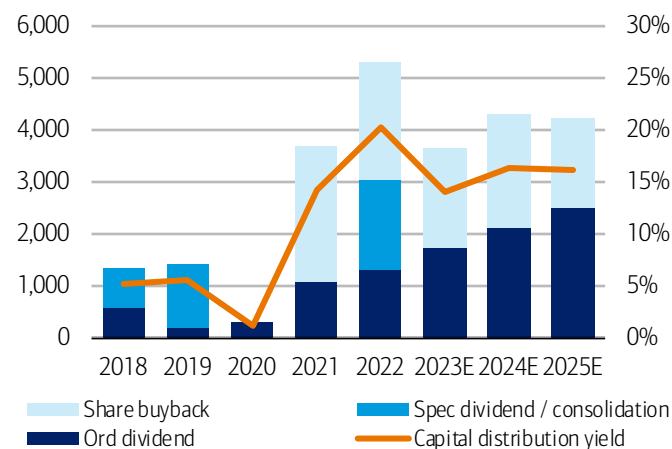


Source: Company, BofA Global Research estimates

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Exhibit 16: Capital distribution (£m)

14-16% annual yield 2023E-25E



Source: Company data, BofA Global Research estimates

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Exhibit 17: Summary financials - NatWest

Earnings and key metrics

	2019	YoY	2020	YoY	2021	YoY	2022	YoY	2023E	YoY	2024E	YoY	2025E	YoY
Profit & loss (£m)														
Net interest income	8,047	-7%	7,476	-7%	7,614	2%	9,842	29%	12,157	24%	12,525	3%	13,203	5%
Non interest income	6,206	31%	3,032	-51%	2,898	-4%	3,314	14%	3,173	-4%	3,120	-2%	3,219	3%
Total income	14,253	6%	10,508	-26%	10,512	0%	13,156	25%	15,331	17%	15,645	2%	16,422	5%
Costs	(9,325)	-3%	(7,858)	-16%	(7,758)	-1%	(7,687)	-1%	(8,065)	5%	(7,997)	-1%	(7,963)	0%
Pre provision profit	4,928	31%	2,650	-46%	2,754	4%	5,469	99%	7,266	33%	7,647	5%	8,459	11%
Impairments	(696)	75%	(3,131)	350%	1,278	-141%	(337)	-126%	(857)	154%	(1,096)	28%	(1,163)	6%
Statutory PBT	4,232	26%	(481)	-111%	4,032	-938%	5,132	27%	6,408	25%	6,551	2%	7,297	11%
Tax	(432)	-66%	(74)	-83%	(996)	1246%	(1,275)	28%	(1,906)	50%	(1,918)	1%	(2,113)	10%
Discontinued operations	0		121	-	276	-	(262)	-195%	0	-100%	0	-	0	-
Minorities and prefs	(667)	44%	(319)	-52%	(362)	13%	(255)	-30%	(250)	-2%	(250)	0%	(250)	0%
Attributable profit	3,133	93%	(753)	-124%	2,950	-492%	3,340	13%	4,252	27%	4,383	3%	4,934	13%
Key metrics														
Statutory EPS (p)	28.0	92%	(6.7)	-124%	27.3	-508%	33.8	24%	45.8	35%	51.2	12%	62.2	21%
Ordinary DPS (p)	2.2	-64%	3.2	-	11.3	-	13.8	22%	18.0	31%	22.0	22%	26.0	18%
Special DPS (p)	12.9	60%	0.0	-	0.0	-	18.1	-	0.0	-	0.0	-	0.0	-
Total DPS (p)	15.1	8%	3.2	-	11.3	-	31.9	182%	18.0	-44%	22.0	22%	26.0	18%
Share buybacks (£bn)	0.0	-	0.0	-	2.6	-	2.3	-	2.0	-	2.2	-	1.8	-
TNAV per share (p)	288	-7%	282	-2%	293	4%	264	-10%	284	8%	324	14%	374	16%
Profitability														
RoTE	9.4%	4.6%	-2.4%	-11.8%	9.4%	11.8%	11.9%	2.5%	16.7%	4.8%	16.9%	0.1%	17.9%	1.0%
Net interest margin	1.79%	-0.19%	2.34%	0.55%	2.31%	-0.03%	2.85%	0.54%	3.33%	0.48%	3.33%	-0.01%	3.40%	0.07%
Avg interest earning assets (£bn)	449	3%	314	-30%	325	3%	345	6%	365	6%	377	3%	389	3%
Non interest income % revenue	44%	8%	29%	-15%	28%	-1%	25%	-2%	21%	-4%	20%	-1%	20%	0%
Cost: income ratio	65%	-7%	75%	9%	74%	-1%	58%	-15%	53%	-6%	51%	-1%	48%	-3%
Cost of risk	0.20%	0.09%	0.85%	0.65%	-0.35%	-1.21%	0.36%	0.71%	0.22%	-0.14%	0.28%	0.05%	0.29%	0.01%
Balance sheet														
CET1 ratio	16.2%	0.0%	18.5%	2.3%	18.2%	-0.2%	14.2%	-4.0%	13.5%	-0.7%	13.5%	0.0%	13.7%	0.2%
Risk weighted assets (£bn)	179	-5%	170	-5%	157	-8%	176	12%	179	2%	184	3%	190	3%
Loan to deposit ratio	89%	4%	84%	-5%	75%	-9%	81%	7%	84%	3%	86%	1%	87%	1%

Source: Company data, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

NatWest Group (RBSPF / NWG)

Our price objective for NatWest is 390p (US\$9.73 per ADR). Our valuation uses a Gordon Growth model based on the outer year of our forecast period, to which we add the present value of expected capital return. We then cross check this against sector PE multiples and our economic scenario analysis. We use 2025E as the base year for our model. With a 12.5% cost of equity, this suggests a 2025E price to book multiple of 1.4x, reducing to 1.2x when discounted to a year from now at our cost of equity. Applying this to 2023E tangible book value of 285p gives a value of 334p pre capital return. To this we add the present value of the dividends and share buybacks that we forecast through to 2025E.

Downside risks to our price objective are weaker earnings than anticipated from higher impairment losses if the UK economy performs worse than we presently expect, a weaker interest rate outlook, more significant restructuring, tougher regulation and/or increased competition.

Upside risks are a stronger economic recovery, including interest rate and growth prospects, offering revenue upside and reduces credit risk. A more constructive pricing environment would be a further positive.

Analyst Certification

I, Rohith Chandra-Rajan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Allied Irish Banks	AIBRF	AIBG ID	Alastair Ryan
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	Bank Of Ireland Group	XBOIF	BIRG ID	Alastair Ryan
	BFF Banking Group	XBBZF	BFF IM	Antonio Reale
	BNP Paribas	BNPQF	BNP FP	Tarik El Mejjad
	BNP Paribas	BNPQY	BNPQY US	Tarik El Mejjad
	Credit Agricole	CRARF	ACA FP	Tarik El Mejjad
	Danske Bank	DNSKF	DANSKE DC	David Taranto
	Erste Bank	EBKOF	EBS AV	Alastair Ryan
	Erste Bank	EBKDY	EBKDY US	Alastair Ryan
	HSBC	XHSBF	5 HK	Alastair Ryan
	HSBC	HBCYF	HSBA LN	Alastair Ryan
	HSBC -A	HSBC	HSBC US	Alastair Ryan
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	Intesa Sanpaolo	IITSF	ISP IM	Antonio Reale
	Intesa Sanpaolo	ISNPY	ISNPY US	Antonio Reale
	KBC Group	KBCSF	KBC BB	Tarik El Mejjad
	KBC Group NV	KBCSY	KBCSY US	Tarik El Mejjad
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	David Taranto
	Nordea	XSABF	NDA SS	David Taranto
	Nordea Bank Abp	NRDBY	NRDBY US	David Taranto
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	UBS	XUHJF	UBSG SW	Alastair Ryan

EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	UBS	UBS	UBS US	Alastair Ryan
	Unicredit	UNCF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale
NEUTRAL				
	Barclays	BCLYF	BARC LN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	Rohith Chandra-Rajan
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Handelsbanken	SVNLF	SHBA SS	David Taranto
	Mediobanca	MDIBF	MB IM	Antonio Reale
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	David Taranto
UNDERPERFORM				
	ABN AMRO	ABMRF	ABN NA	Tarik El Mejjad
	Deutsche Bank	DB	DB US	Rohith Chandra-Rajan
	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	David Taranto
	DNB ASA	DNBBY	DNBBY US	David Taranto
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Poste Italiane	PITAF	PST IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	SEB	SVKEF	SEBA SS	David Taranto
	Swedbank	SWDBF	SWEDA SS	David Taranto
	Swedbank AB	SWDBY	SWDBY US	David Taranto
	Virgin Money UK PLC	CBBYF	VMUK LN	Rohith Chandra-Rajan
	Virgin Money UK PLC	CYBBF	VUK AU	Rohith Chandra-Rajan

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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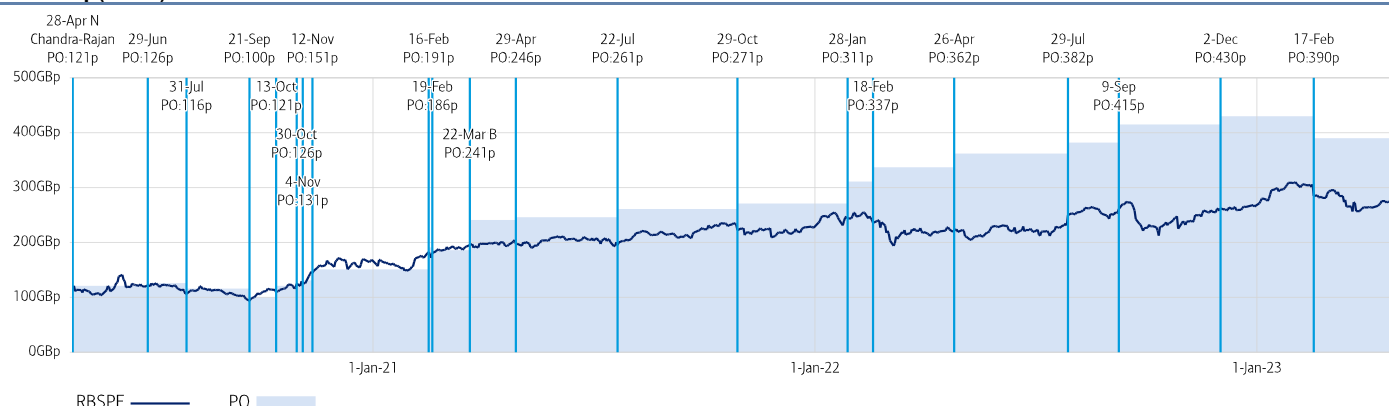
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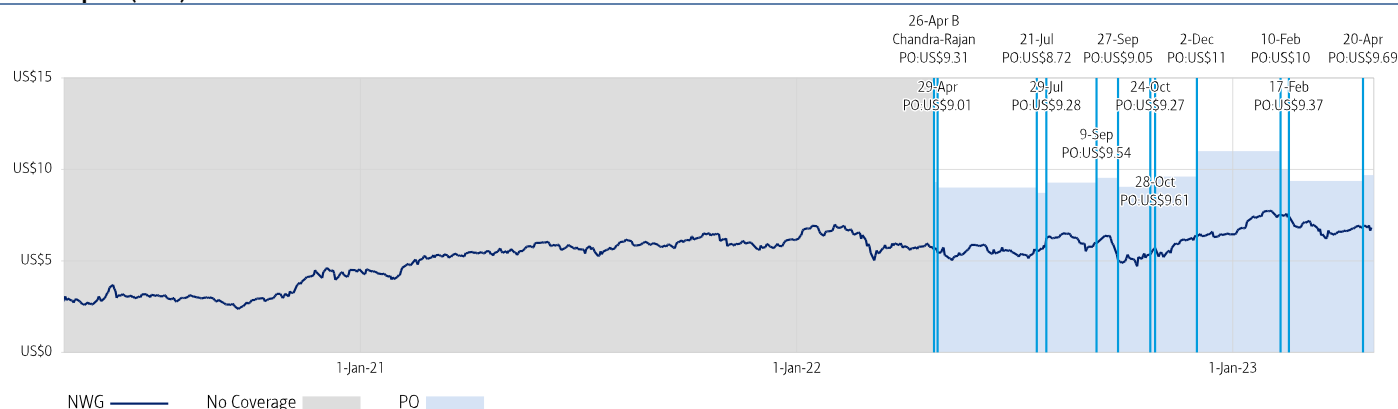
NatWest Group (RBSPF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Natwest Group PLC (NWG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	88	50.87%	Buy	72	81.82%
Hold	40	23.12%	Hold	29	72.50%
Sell	45	26.01%	Sell	34	75.56%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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