

# NatWest Markets Plc

## Investor Factbook

15/02/2019



**As at FY2018:**

**15.6%**  
CET1 Ratio

**34.0%**  
MREL Ratio

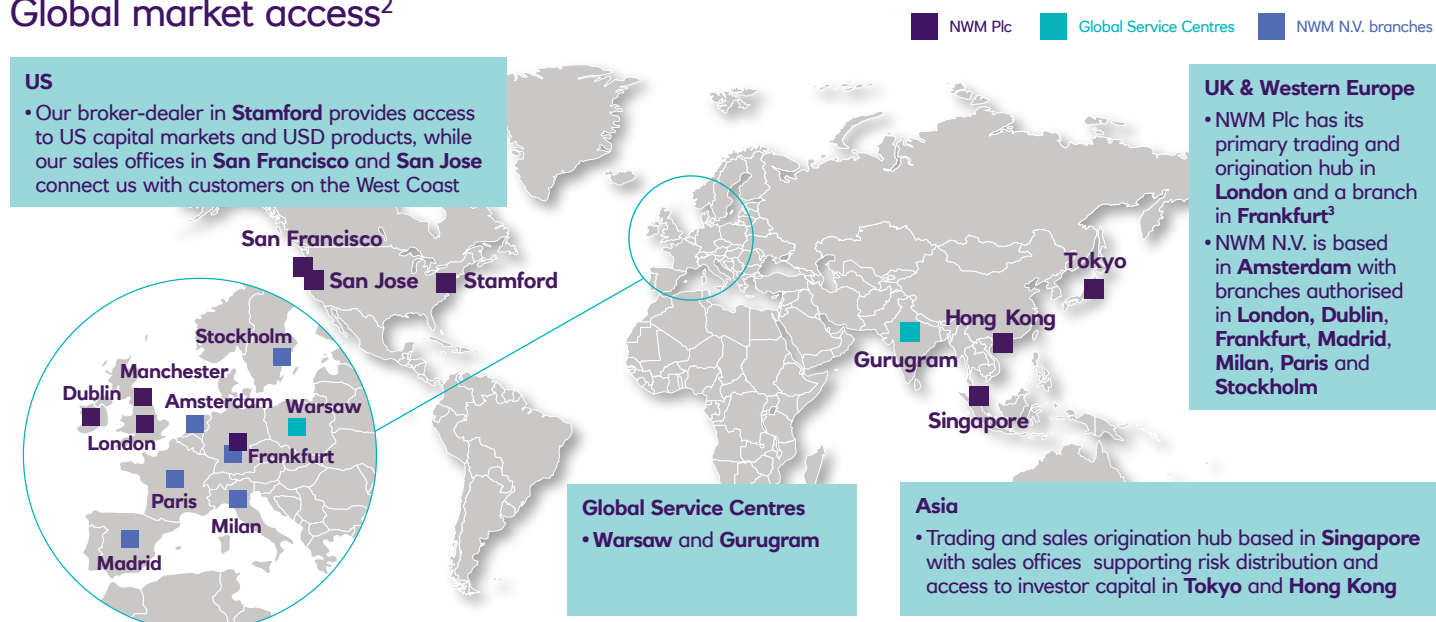
**5.0%**  
Leverage Ratio

**£17bn**  
Liquidity Portfolio

## Business overview

- NatWest Markets helps global financial institutions and corporates manage their financial risks and achieve their short- and long-term financial goals while navigating changing markets and regulation, built around rates, currencies and financing products.
- Our activities are organised to provide financing and risk management services:
  - Trading & Flow Sales:** Provides liquidity and risk management in rates, currencies, credit and securitised products through a combination of voice and electronic delivery.
  - Financing & Risk Solutions:** Built around integrated financing, debt capital markets and risk management solutions, on a foundation of insightful content and structuring.
- We operate from trading hubs in London, Singapore and Stamford, as well as sales offices across key locations in the UK, EU, US and Asia.
- We're embracing the power of new technology so we're better able to provide clients with insights and solutions, drive cost efficiencies and increase profitability.
- By continuing to automate and simplify our business and its processes we have radically improved our operating model. We've taken out many manual processes, improved control and efficiency resulting in a much improved customer experience.
- We have a plan in place to ensure that we are ready to serve EEA customers from our bank in the Netherlands, NatWest Markets N.V.<sup>1</sup>, in the event there is a loss of access to the EU Single Market after Brexit.

## Global market access<sup>2</sup>



Global market access with proven distribution capability

Integrated delivery with the RBS Group to deliver a wholesale banking proposition

Focused on core products and markets where we have a strong track record, long-standing relationships and market leading positions

Note: All figures are NWM Plc unless otherwise stated. This document contains targets, expectations and trends which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and are subject to inherent risks, uncertainties and other factors which are further discussed in the Risk Factors on pages 124 to 133 of the NatWest Markets Plc Annual Report and Accounts 2018 (NWM ARA) and on pages 253 to 263 of the RBS Group plc Annual Report and Accounts 2018. The forward-looking statements contained in this document speak only as of the date of this document and RBS does not assume or undertake any obligation or responsibility to update any of these statements, whether as a result of new information, future events or otherwise, except to the extent legally required. See Forward Looking Statements on page 134 of the NWM ARA. (1) RBS N.V. was renamed NatWest Markets N.V. on 30 April 2018, it's currently a subsidiary of RBS Group plc. (2) Global market access offered by the Franchise across NWM Plc and NatWest Markets N.V. legal entities (3) NWM Plc Frankfurt branch currently subject to regulatory approval.

# Our products

## Rates

We are a leading sales and trading house across cash bonds, repo, swaps, options and inflation. We offer primary dealer services to thirteen national debt management offices and are a market maker in sterling, euro and dollar debt as well as being a leading interest rate derivatives house.

- Tied No.1 for Rates\* Service Quality – UK FIIs (Source: Greenwich Associates, European Fixed Income 2018 – Rates)
- #1 for GBP-denominated DCM by volume in 2018 (Source: Dealogic)

Note: (\*) Government Bonds and Interest Rate Derivative Investors

## Currencies

We provide FX services to global financial institutions and corporates offering high value content, bespoke risk management solutions and strong digital delivery through electronic platforms and venues. Our products include: spot FX, FX forwards, FX swaps and FX options across G10 and emerging markets currencies. AgileMarkets™ is our single dealer platform, providing FX trading, analysis, desk strategy, sales commentary and post trade commentary to customers.

- #1 for Overall Service Quality for UK Corporates (Source: 2017 Greenwich Associates FX Survey)
- Best in Service Globally among Corporates for Algorithmic trading (Source: 2018 Euromoney FX Survey)

## Financing

We bring together our primary market, bi-lateral financing and secondary market distribution to connect issuers with investors. We offer all mainstream bond financing activities (including investment grade, private placements, MTNs, hybrids and liability management), asset backed financing and primary lending products. This platform is supported by sales and trading across securitised products, cash bonds, investment grade and high yield loans.

- Sterling Bond House of the Year 2018 (Source: International Financing Review (IFR))
- Most Innovative Team of the Year (Source: The Banker's Investment Banking Awards 2018)

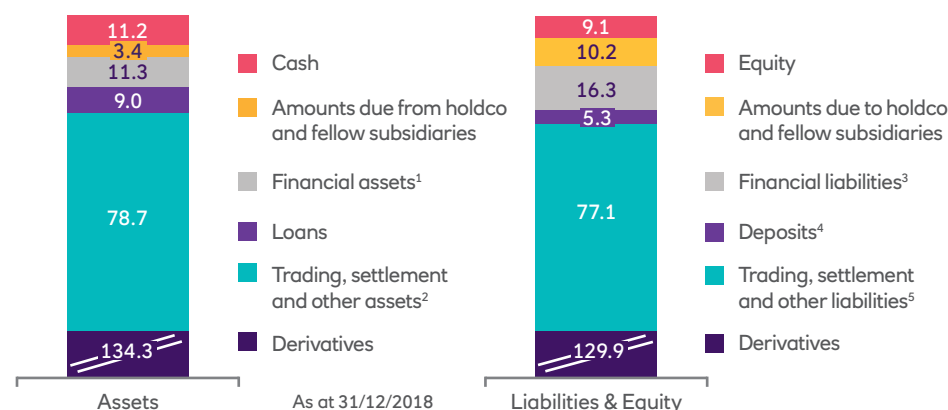
## Part of the RBS Group



Note: (1) Renamed from The Royal Bank of Scotland plc (with branches and entities falling in line with new parent name). (2) NatWest Markets N.V., the RBS Group's banking entity in the Netherlands, is currently a subsidiary of RBS Group plc. It continues to implement its plan to be operationally ready to serve European Economic Area (EEA) customers when the UK leaves the European Union on 29 March 2019, in the event there is a loss of access to the EU Single Market. NatWest Markets N.V. is expected to become a subsidiary of NatWest Markets Plc, subject to regulatory approvals. (3) Renamed from Adam & Company PLC. (4) Legal entity within India & Branch in Poland.

## Legal entity balance sheet and key metrics

**Total Assets £248bn**  
o/w Funded Assets £114bn



**Liquidity Portfolio**  
**£17.2bn**

**Liquidity Coverage Ratio**  
**457%**

Note: (1) Financial Assets are primarily non-trading debt securities. (2) Includes Trading assets, Settlement balances and other assets. (3) Financial Liabilities comprise Debt securities in issue (£15,621m) and Subordinated liabilities (£658m). (4) Deposits comprise Bank deposits (£2,749m) and Customer deposits (£2,580m). (5) Includes Trading liabilities, Settlement balances and Other liabilities.

## NatWest Markets capital: actuals and targets

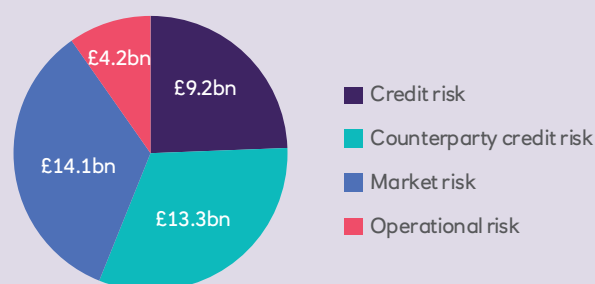
Over the course of 2018 the capital position of the entity was transformed as a result of ring-fencing, through a number of actions including dividend payments, redemption of capital instruments and issuance of internal MREL to RBS Group plc.

NWM Plc Solo Capital	2018	2020 Target
CET1 %	15.6%	c.15%
MREL %	34.0%	At least 30%
Leverage Ratio %	5.0%	At least 4%
Leverage Exposure £bn	£149bn	
RWAs	£41bn	c.£35bn

NatWest Markets Franchise	2018	2020 Target
Total RWAs	£45bn	c.£39bn
o/w Alawwal	£6bn	

NWM Plc RWA Breakdown at 2018



## Legal entity vs. Franchise RWA 2020 targets

2020 NWM RWA Guidance	
NWM Plc Solo	c.£35bn
NWM N.V.	c.£8bn
Intragroup and Other Adjustments	c.(£4bn)
<b>NWM Franchise</b>	<b>c.£39bn</b>

NWM Franchise RWAs (Transition to 2020)	
FY 2018	c.£45bn
Western Europe Corporates Transfer	c.£4bn
Alawwal	c.(£6bn)
Other, Mainly Legacy Exits	c.(£4bn)
<b>2020 Guidance</b>	<b>c.£39bn</b>

## Simplifying and de-risking

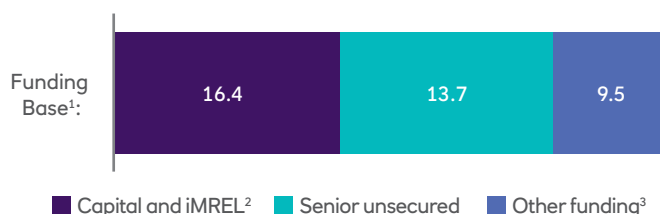
2018	Total	of which: Legacy
RWAs	£40.8bn	£6.4bn
Total net credit exposures (banking book and counterparty credit)	£39.4bn	£5.9bn
o/w net non-investment grade credit exposures	£1.8bn	£1.1bn
o/w IFRS 9 Stage 3 exposures	£0.7bn	£0.7bn
and: IFRS 9 Stage 3 expected credit loss (ECL)	£0.1bn	£0.1bn
10-day 99% internal SVaR for the trading portfolios of NWM Plc and NWM Securities Inc	£176m	–

## Franchise P&L

£m	2016	2017	2018
Core income ex OCA	1,521	1,665	1,259
Legacy and Own credit adjustments	(309)	(615)	183
<b>Total income</b>	<b>1,212</b>	<b>1,050</b>	<b>1,442</b>
Direct & indirect expenses	(2,084)	(1,528)	(1,213)
Strategic costs	(190)	(436)	(238)
Litigation & conduct costs	(550)	(237)	(153)
<b>Operating expenses</b>	<b>(2,824)</b>	<b>(2,201)</b>	<b>(1,604)</b>
Impairment (losses) / releases	(253)	174	92
<b>Operating (loss) / profit</b>	<b>(1,865)</b>	<b>(977)</b>	<b>(70)</b>

Note: Income, expenses and impairments presented on the RBS Group's NatWest Markets Franchise, as such it includes items not currently residing within the NatWest Markets Plc entity or its subsidiaries, including NatWest Markets N.V. which is currently a subsidiary of RBS Group plc.

## Funding sources and plan



### 2019 NatWest Markets Plan

Note: Subject to business requirements and market conditions

### Term Senior unsecured

£3-5bn

### Other funding<sup>3</sup>

Maintain

- NWM Plc has £8.8bn of regulatory capital and £5.1bn of funding from RBS Group plc which is structurally subordinated to NWM Plc Senior creditors.
- NWM Plc issued £4.8bn of term senior debt during 2018, and expects to issue £3-5bn in 2019, subject to business requirements and market conditions.
- In addition, NatWest Markets expects to maintain its other funding<sup>3</sup> across unsecured sources and the secured funding of its loan portfolio.

Note: (1) Capital and funding excluding repos and derivative cash collateral. (2) Capital of £11.3bn balance sheet value before regulatory deductions (Shareholders equity ex. Non-controlling interests £8,173m, Additional Tier 1 capital £983m and Qualifying Tier 2 capital £2,098m) and CRR-compliant MREL of £5.1bn executed in the form of a loan with RBS Group plc. (3) Other Funding excludes repos, derivative cash collateral and non-capital intragroup funding.

## Credit ratings

	Moody's	Standard & Poor's	Fitch
<b>NatWest Markets Plc / N.V.</b>			
Senior Unsecured	Baa2 <sup>2</sup> / P-2 / Positive	BBB+ / A-2 / Positive	A / F1 / RWN <sup>3</sup>
Counterparty Rating <sup>1</sup>	A3 / P-2	A- / A-2	A (dcr)
<b>NatWest Markets Securities Inc.</b>			
Senior Unsecured	NR <sup>4</sup>	BBB+ / A-2 / Positive	A / F1 / RWN <sup>3</sup>
Counterparty Rating <sup>1</sup>	NR <sup>4</sup>	BBB+ / A-2	A (dcr)

Note: (1) These ratings apply to liabilities which the agencies believe are likely to be protected in resolution. The definition of the liabilities covered by the different counterparty ratings varies and therefore cannot be treated as like-for-like, please refer to the Moody's, Standard & Poor's and Fitch methodologies for additional information. (2) Baa2 is both NatWest Markets Plc's senior unsecured rating and the deposit rating. (3) Rating Watch Negative on the Long Term Issuer Default Rating. Sector wide decision by Fitch to more closely monitor UK Banks sector related to the uncertainty over the ultimate outcome of the Brexit process; this is not equivalent to a Negative Outlook (4) NR = not rated.

## Overview of Brexit plan

- We already have a bank in the Netherlands – NatWest Markets N.V. – and we have a plan in place to ensure we are ready to serve European Economic Area (EEA) customers from NatWest Markets N.V. ahead of 29 March 2019 in case there is an immediate loss of access to the EU Single Market.
- We've received approval from the Dutch regulator De Nederlandsche Bank (DNB) on our Brexit plan, including approval to establish a branch network in Europe outside of Amsterdam, with branches in Stockholm, Paris, Milan, Madrid, Frankfurt and Dublin. We're planning for NatWest Markets N.V. to operate with a robust capital and funding profile, supported by and initially funded from NatWest Markets Plc.
- We are using a Banking Business Transfer Scheme (FSMA scheme) and bilateral novation process to put in place contracts between customers and NatWest Markets N.V. as part of our Brexit readiness plan.
- The RBS Group plans to transfer its Western European corporate business to NatWest Markets N.V. to ensure we can continue to serve these customers after Brexit. This business has ~£4bn of associated RWAs.

## Investor relations contacts

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