

NatWest Markets Plc

Investor Factbook



24 October 2019

As at
Q3 2019:

14.7%
CET1

34.9%
MREL

4.5%
CRR Leverage

188%
LCR

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, Stamford, and from Amsterdam via NatWest Markets N.V.¹. We also have sales offices across key locations in the 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.
- As part of preparing for Brexit we have begun serving some EEA customers from the RBS Group's bank in the Netherlands, NatWest Markets N.V.¹.

Global market access²

■ NWM Plc ■ Global Service Centres ■ NWM N.V.

US

- Our broker-dealer in **Stamford** provides access to US capital markets and USD products, and it has sales offices in **San Francisco** and **San Jose**, which connects it to customers on the West Coast.

UK & Western Europe

- NWM Plc has its primary trading and origination hub in **London** and a branch in **Frankfurt**
- NWM N.V.¹ is based in **Amsterdam** with branches authorised in **London, Dublin, Frankfurt, Madrid, Milan, Paris** and **Stockholm**

Global Service Centres

- Warsaw, Gurugram and Chennai

Asia

- Trading and sales origination hub based in **Singapore** with sales offices supporting risk distribution and access to investor capital in **Tokyo** and **Hong Kong**

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 the Summary Risk Factors on pages 34 and 35 of the NWM H1 2019 IMS, as well as in the Risk Factors on pages 253 to 263 of the RBS Group Annual Report and Accounts 2018 and the Summary Risk Factors on pages 46 and 47 of the RBS Group H1 2019 IMS. The forward-looking statements contained in this document speak only as of the date of this document and NWM and RBS Group do 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 and page 40 of the NWM H1 2019 IMS. (1) RBS N.V. was renamed NatWest Markets N.V. on 30 April 2018, it is currently a subsidiary of RBS Group plc and is expected to become a subsidiary of NWM Plc in Q4 2019, subject to regulatory approvals and the unwinding of relevant consortium arrangements. (2) Global market access offered by the NatWest Markets Franchise across NWM Plc and its subsidiaries, including NatWest Markets Securities Inc. as well as by NatWest Markets N.V. which is currently a subsidiary of RBS Group plc.

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 as well as our FX Prime, Futures and Agency Clearing Services.

- Tied No.1 UK Corporate FX Service Quality Leader (Source: 2018 Greenwich Associates FX Survey)
- #1 Best in Service Globally among Corporates for Algorithmic trading (Source: 2018 Euromoney FX Survey)
- Best FX Prime Brokerage (Source: Profit & Loss Digital FX Awards 2019)

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)

Electronic offering becoming more important

Strong market positions on Tradeweb¹

#1 dealer Gilts	#1 dealer GBP Swaps
#3 dealer EGBs	#4 dealer EUR Swaps

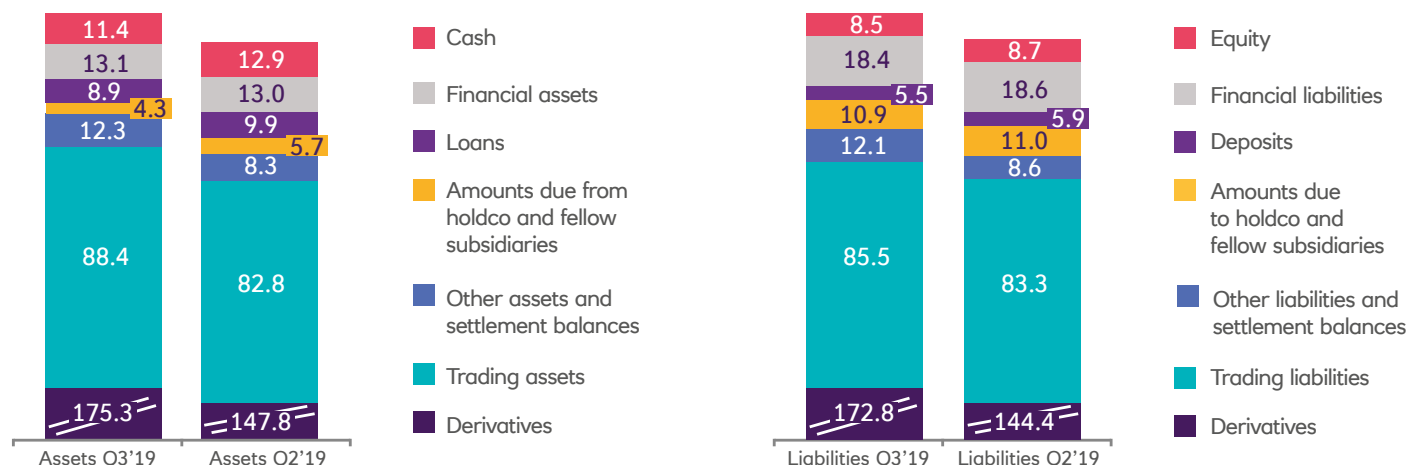
With high levels of trading automation²

~95% FX Forwards	~98% Spot FX
~88% US Treasuries	~80% Gilts

Note: (1) Ranking on Tradeweb platform for volume of risk traded (executed delta), except EUR Swaps which is for non-list executed delta. Ranking YTD between 01/01/2019 to 08/10/2019. EGB = European Government Bond. (2) Based on internal analysis for Q2'19. FX based upon % of trades automatically quoted. US Treasuries and Gilts are based upon % of trades subject to end-to-end automation.

Balance sheet

Total Assets £314bn (Q2'19: £280bn)
o/w Funded Assets £138bn (Q2'19: £133bn)

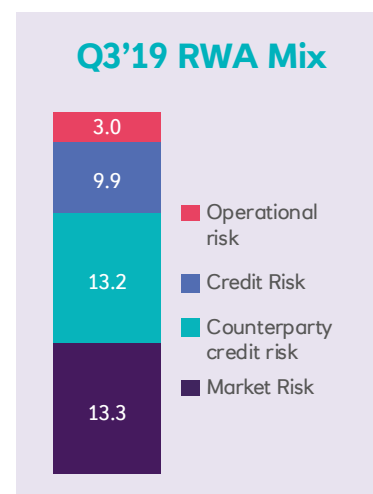


~£4bn net non-investment grade exposures¹ as at Q2'19

Note: (1) Comprised of c.£1bn non-investment grade trading book debt securities as well as £2.7bn banking book credit risk and counterparty credit risk for traded products of which £1.3bn relate to legacy assets.

NatWest Markets Plc capital

NWM Plc Solo Capital	FY'18		Q3'19	
	£bn	%	£bn	%
CET1 Capital	6.4	15.6	5.8	14.7
Tier 1 Capital	7.4	18.0	6.8	17.2
Total Capital	8.8	21.5	8.5	21.6
Capital and Internal MREL Ratio	13.9	34.0	13.7	34.9
Risk Weighted Assets	40.8		39.4	
CRR Leverage	149	5.0	151	4.5



Capital and RWA 2020 targets¹

NWM Plc 2020 Capital Targets		2020 NWM Franchise RWA Guidance	
CET1 Ratio	c.15%	NWM Plc Solo	c.£35bn
MREL Ratio	At least 30%	NWM N.V. ²	c.£8bn
Leverage Ratio	At least 4%	Intragroup and Other Adjustments	c.(£4bn)
Risk Weighted Assets	c.£35bn	NWM Franchise	c.£39bn

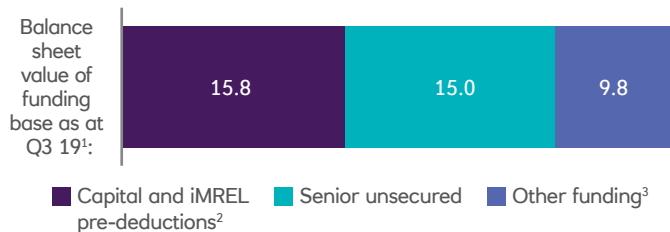
Note: (1) These targets constitute forward-looking statements, please see note on Page 1. (2) Currently a subsidiary of RBS Group plc and is expected to become a subsidiary of NWM Plc in Q4 2019, subject to regulatory approvals and the unwinding of relevant consortium arrangements.

NatWest Markets Plc consolidated income statement¹

£m	FY'18			9M'19			Q3'19		
	NatWest Markets	Central Items & Other	Total	NatWest Markets	Central Items & Other	Total	NatWest Markets	Central Items & Other	Total
Core income ex OCA ²	1,213	0	1,213	790	0	790	143	0	143
Legacy and OCA ²	(195)	0	(195)	(210)	0	(210)	(20)	0	(20)
Other	0	(160)	(160)	0	32	32	0	(17)	(17)
Total income	1,018	(160)	858	580	32	612	123	(17)	106
Other operating expenses	(1,075)	15	(1,060)	(819)	170	(649)	(271)	4	(267)
Strategic costs	(178)	(30)	(208)	(93)	(5)	(98)	(48)	(5)	(53)
Litigation & conduct costs	(142)	(827)	(969)	(3)	157	154	(7)	145	138
Operating expenses	(1,395)	(842)	(2,237)	(915)	322	(593)	(326)	144	(182)
Impairment (losses) / releases	88	14	102	39	0	39	5	(2)	3
Operating profit / (loss)	(289)	(988)	(1,277)	(296)	354	58	(198)	125	(73)
Tax credit			33			127			53
Profit from discontinued operations, net of tax			2,461			0			0
Profit / (loss) for the period			1,217			185			(20)

Note: (1) The RBS Group's 'NatWest Markets' operating segment should not be assumed to be the same as the NWM Plc legal entity or group. The NWM Plc entity includes the Central Items & Other segment but excludes NatWest Markets N.V. for statutory reporting. The key difference between the RBS Group's NatWest Markets operating segment and NWM Plc legal entity operating profit / (loss) for the nine months ended 30 September 2019 largely relates to expense items, including one-off recoveries, that form part of the Central Items & Other Segment; the remaining difference relates primarily to NatWest Markets N.V. (2) Own Credit Adjustments.

Funding sources and plan



2019 NatWest Markets Plan

Note: Subject to business requirements and market conditions

Term Senior unsecured

£3-5bn

Other funding³

Maintain

- At September 2019 NWM Plc had regulatory capital and CRR-compliant internal MREL issued to RBS Group plc of £13.7bn (funding value £15.8bn), which is structurally subordinate to NWM Plc senior creditors
- YTD 2019, NWM Plc issued £4.5bn and accessed new markets (SEK, JPY and CHF) via its EMTN programme and established a 144A MTN programme for US investors.
- Depending on market conditions, in Q4 2019 NWM Plc aims to further diversify the investor base and build out new markets and issuance programmes, and may explore pre-funding 2020 maturities.

2019 funding requirements covered

	\$1.3bn	NWM Plc dual tranche senior 3.5yr FXD and FRN
	€1bn	NWM Plc senior 5yr FXD
	€1.25bn	NWM Plc senior 2yr FRN
	¥50bn	NWM Plc dual tranche senior 3yr and 5yr FXD
	kr500m	NWM Plc senior 2yr FRN
	€500m	NWM Plc senior 1.5yr FRN
	CHF350m	NWM Plc senior 4yr FXD

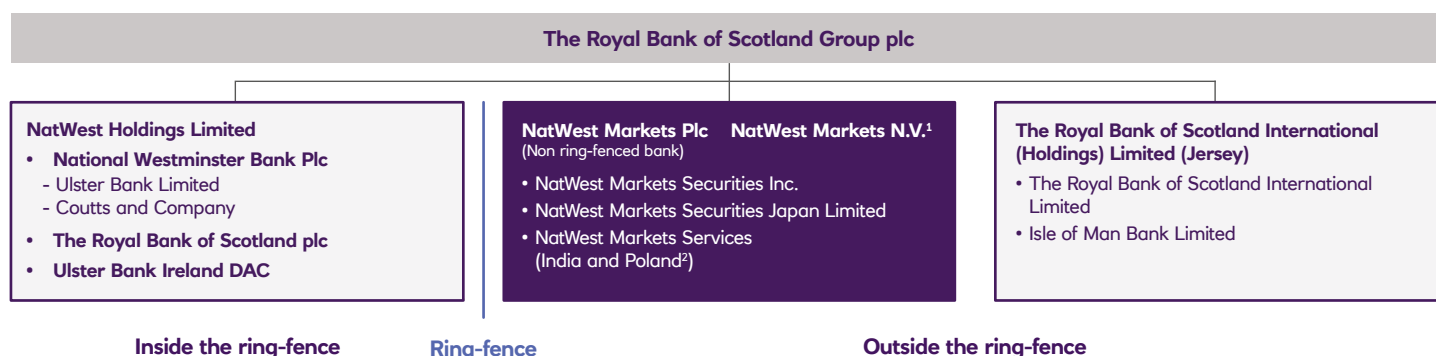
Note: (1) Balance sheet value of capital and funding excluding repos and derivative cash collateral. (2) Capital with balance sheet value of £10.6bn before regulatory deductions and CRR-compliant MREL of £5.2bn executed in the form of a loan to RBS Group plc. (3) Other Funding excludes repos, derivative cash collateral and non-capital intragroup funding.

Credit ratings

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

Part of the RBS Group



Note: (1) NatWest Markets N.V., the RBS Group's banking entity in the Netherlands, is currently a subsidiary of RBS Group plc. NatWest Markets N.V. is expected to become a subsidiary of NatWest Markets Plc during Q4 2019, subject to regulatory approvals and the unwinding of relevant consortium arrangements. (2) Legal entity within India & Branch in Poland.

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