

NatWest Markets Plc

Investor Factbook

31 July 2020



Key messages

- Strategically important part of NatWest Group, helping customers manage their financial risks and connecting them with international capital markets.
- Purpose led, focusing on long term decision making.
- Continue to target a reduction in RWA of around £14-18bn over the medium term, with H1'20 RWA decreasing £2.4bn compared to FY'19. Intend to achieve majority of expected reduction by end 2021.
- Continue to progress strategy to refocus towards NatWest Group's corporate and institutional customers, exiting certain products and creating a simpler operating model. NWM CEO confirmed and new CFO appointed.
- Increase in H1'20 Rates and Currencies income compared to H1'19, driven by strong levels of customer activity, both before and during the emergence of the Covid-19 pandemic, including acting as joint Lead Manager for the UK Debt Management Office's 40 year Gilt issuance.
- Strong capital and funding position, with an increase in CET1 ratio to 18.9% from 17.3% at FY'19.
- Impairment charge of £45m taken for H1 reflecting new base case economic scenarios as well as a downgrade of an individual significant exposure.

Key results

H1 2020:

£819m
Income¹

18.9%
CET1

£32.8bn
RWA

43.0%
MREL

258%
LCR

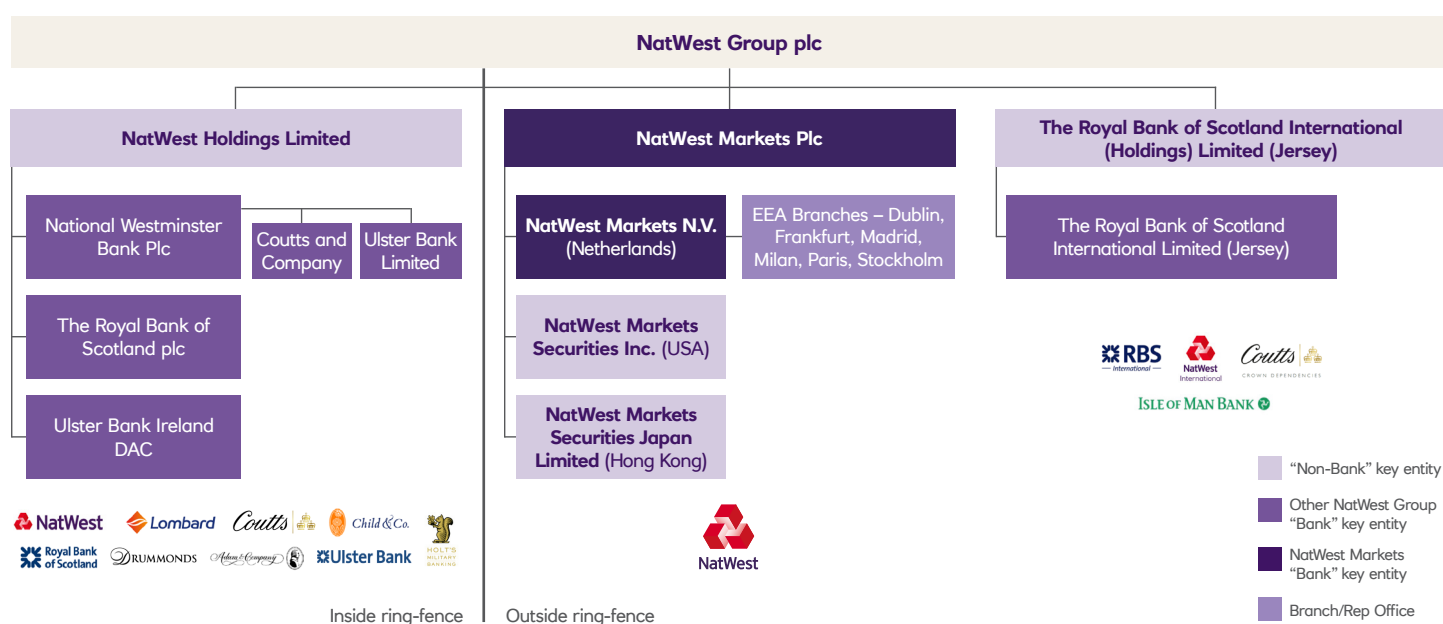
5.3%
CRR
Leverage

Income relates to NWM Plc consolidated, other amounts relate to NWM Plc solo.

Overview

- NatWest Markets Plc (NWM Plc) helps corporate and institutional customers manage their financial risks and achieve their short-term and long-term financial goals while navigating changing markets and regulation.
- Products and solutions are centred on the three pillars of Rates, Currencies and Financing. Our range of digital FX, rates, risk management and international payments options use our applications or APIs, which include Agile Markets and FXmicropay.
- Sustainable, responsible and committed, actively supporting our customers in the transition to supporting broader environmental and societal goals, working with issuers and investors to develop holistic sustainability strategies.
- Operates from trading hubs in London, Singapore, Stamford, and from Amsterdam via NatWest Markets N.V.² (NWM N.V.), with sales offices in the UK, the EU, the US and Asia.

NatWest Markets Plc is a strategically important part of NatWest Group



Note: Legal entity structure represents key entities only. The Royal Bank of Scotland Group plc (“RBSG plc”) was renamed NatWest Group plc on 22 July 2020.

The targets, expectations and trends discussed in this document represent management's current expectations and are subject to change, including as a result of the factors described in the Risk Factors on pages 48-49 of the NWM Plc H1 2020 IMS (“NWM IMS”), pages 13-14 of the NWM Plc Q1 2020 IMS and pages 143-156 of the NWM Plc 2019 Annual Report and Accounts (“NWM ARA”) and the Risk Factors on pages 108-109 of the NatWest Group plc H2 2020 IMS, pages 29-31 of the NatWest Group plc's Q1 2020 IMS and pages 281-295 of the NatWest Group plc 2019 Annual Report and Accounts. These statements constitute forward looking statements under the US Private Securities Litigation Reform Act of 1995; refer to Forward Looking Statements in the NWM ARA and the NWM IMS. The forward-looking statements contained in this document speak only as of the date of this document and NWM Plc 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.

Our Business

Our Products and Services

Rates

We offer a range of interest rate cash and derivatives products supporting customers' financing and hedging needs

Currencies

We provide access to spot FX, FX swaps, FX forwards and FX options in more than 60 currency pairs

Financing

We are a leading partner for our customers in accessing global debt capital markets. We offer all mainstream bond financing activities, asset backed financing and primary lending products as well as Credit trading capabilities

Digital

We have developed digital self-service applications covering FX, rates, risk management, international payments and many more services

Colour, Content and Ideas

Our strategist and content experts across Currencies, Rates and Financing offer fresh thinking alongside market-leading economic insights in the key economies where our customers do business

- 2020 Best British Domestic Bond Dealer
- 2020 Best Corporate GBP Dealer
- 2020 Best SSA GBP Dealer
- 2020 Best SSA CP Dealer (cmdportal)
- #1 European Government Bonds by Market Share – Gilts (Greenwich Associates European Fixed Incomes Rates 2019)
- Risk Solutions House of the Year (Risk Awards 2020, awarded in 2019)
- Portfolio Solutions House of the Year (GlobalCapital European Securitization Awards 2020)
- Best Corporate FX Provider in the UK 2020 Award (Global Finance Magazine)
- #1 UK Corporates FX Service Quality Leader (Greenwich Associates Global FX Services, UK Corporates 2019)
- #1 UK Corporate Green and Sustainable Bonds – 30 June 2020 (Dealogic)
- #2 GBP-denominated DCM by Volume – H1 2020 (Dealogic)
- 2020 In-house Debt Team of the Year (IFLR Awards Europe)
- Best Agent of International US Private Placements (GlobalCapital 2020)

Serving our corporate and institutional customers with a refocused business⁸



Electronic offering and automation

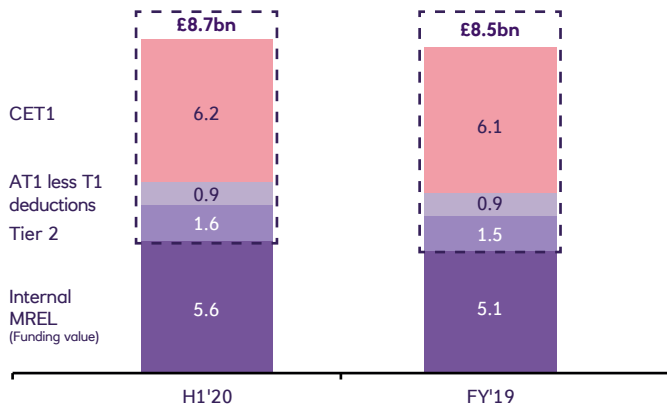
Strong market positions on Tradeweb³

With high levels of trading automation⁴

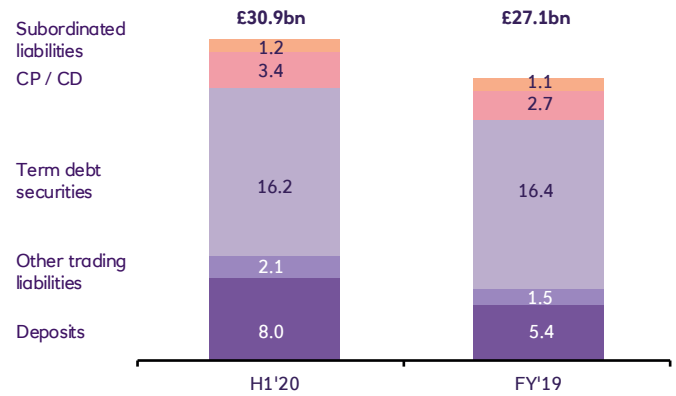
#2 dealer Gilts	#1 dealer GBP Swaps	~92% FX Forwards	~98% Spot FX
#3 dealer EGBs	#10 dealer EUR Swaps	~68% US Treasuries	~60% Gilts

H1 2020 Results Overview

Regulatory Capital and MREL Stack (£bn)

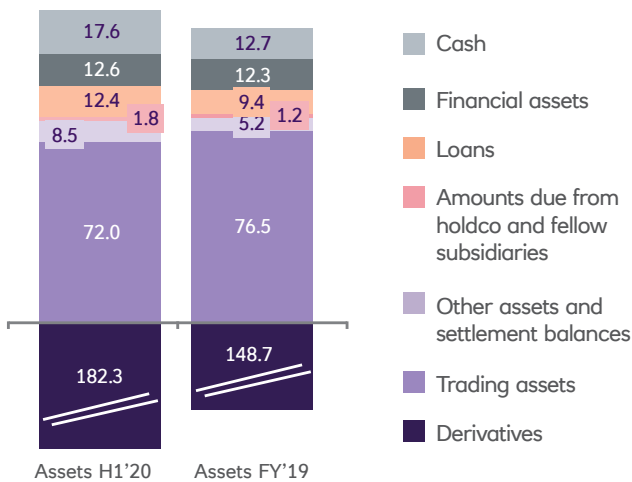


Funding Stack (£bn)^{5,6}

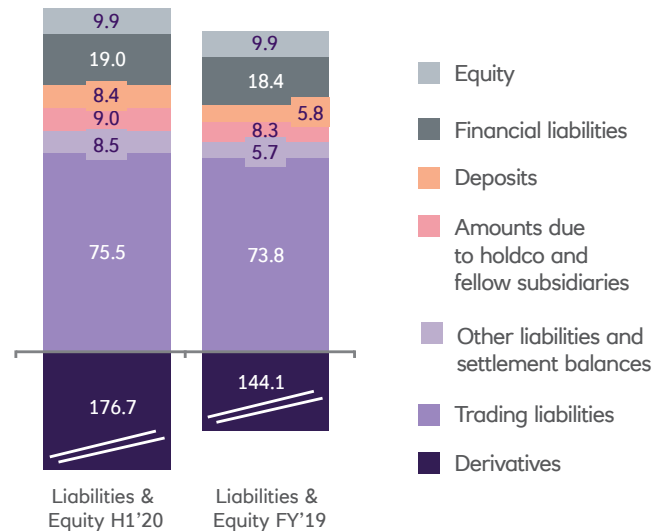


NWM Plc consolidated balance sheet (£bn)⁷

Total Assets £307bn (FY'19: £266bn)
o/w Funded Assets £125bn (FY'19: £117bn)



Total Liabilities & Equity
Total Liabilities £297bn (FY'19: £256bn)



Note: Funded assets are represented by NWM Plc's total assets, in accordance with the published IFRS balance sheet, less derivative assets

NWM Plc consolidated income statement (£m)⁸

H1'20 Total Income			
Income	Q2'20	H1'20	H1'19
Rates	175	451	326
Currencies	142	336	225
Financing	182	171	197
Revenue Share paid to RBSG	(48)	(95)	(101)
Other ⁹	(17)	(44)	(94)
Income excluding Asset disposals and Own credit adjustments (OCA)	434	819	553
Asset disposals / Strategic risk reduction	(63)	(63)	0
Own credit adjustments	(102)	53	(47)
Total	269	809	506

Note: Income of £74m relating to business previously within Rates has been reallocated to Financing in H1 2020. H1 2019 has not been restated. The equivalent amount was £60m in H1 2019. Income of £4m, £(7)m and £10m previously relating to Rates, Currencies and Financing respectively has been reallocated to Other in H1 2020. Comparatives have not been restated. The equivalent amounts were £3m, £(4)m and £5m respectively in H1 2019.

H1'20 Operating Expenses			
Operating Expenses	Q2'20	H1'20	H1'19
Strategic costs	(80)	(112)	(45)
Litigation and conduct costs	(9)	(113)	16
Other Operating Expenses	(270)	(589)	(382)
Total	(359)	(814)	(411)

Note: Other Operating Expenses at H1'19 included certain one off recoveries.

H1'20 Operating Profit			
Operating profit	Q2'20	H1'20	H1'19
Income	269	809	506
Operating expenses	(359)	(814)	(411)
Operating profit / (loss) before impairments	(90)	(5)	95
Impairment releases / (losses)	(50)	(45)	36
Tax (charge) / credit	3	(79)	74
(Loss) / profit for the period	(137)	(129)	205

Outlook

Risk Weighted Assets (£bn)



Reducing RWA by £14-18bn over the medium term

- Risk Weighted Assets have decreased by £2.4bn in H1 2020 predominantly due to decreases in Market and Credit Risk, as the business seeks to reduce RWAs, including transfer of insurance lending assets to NatWest Bank Plc
- Market Risk also benefitted from the PRA's temporary approach to VaR back-testing exceptions
- Movement in Counterparty Credit Risk in Q1 was driven by market volatility brought on by Covid-19 pandemic
- Intending to achieve majority of expected RWA reduction by end of 2021

Capital, Funding and RWA targets^{8,10}

NWM Plc Medium Term Targets

RWA reduction	c.£14-18bn
Intending to achieve majority of expected medium term reduction by end 2021	
CET1 Capital	Above 15%
MREL Ratio	At least 30%
Leverage Ratio	At least 4%

2020 NWM Plc Funding Sources and Targets

Term senior unsecured	£3-5bn
Of which £2.5bn raised at H1 2020 ¹³	
Other funding	Maintain

NWM Franchise Targets¹¹

RWA total at end 2020 ¹²	£32bn
RWA total in medium term	c. £20bn
Intending to achieve majority of expected medium term reduction in RWA by end 2021	
2020 Strategic costs relating to refocus	c. £0.2bn
2020 Income disposal losses relating to refocus ¹²	c. £0.2bn
Income disposal losses over 2020-2021	c.£0.6bn
RWA reduction expected to be CET1 capital ratio accretive in year one and over the course of the transition plan period	

Credit ratings

	Moody's	Standard & Poor's	Fitch
NWM Plc / NWM N.V.			
Senior Unsecured	Baa2 ¹⁵ / P-2 / Positive	A- / A-2 / Negative	A+ / F1 / Negative
Counterparty Rating ¹⁴	A3 / P-2	A / A-1	A+ (dcr)
NatWest Markets Securities Inc.			
Senior Unsecured	Not Rated	A- / A-2 / Negative	A / F1 / Negative
Counterparty Rating ¹⁴	Not Rated	A- / A-2	A (dcr)

Investor relations contacts

Head of NatWest Markets Investor Relations: Amanda Hausler

T: +44 20 7085 6448 E: amanda.hausler@natwestmarkets.com

Group Investor Relations

T: +44 20 7672 1758 E: investor.relations@natwest.com

Note: (1) Income excluding asset disposals / strategic risk reduction, own credit adjustments and Central Items & Other. (2) NWM N.V. became an indirect subsidiary of NWM Plc in November 2019. Prior to this it was an indirect subsidiary of NatWest Group plc. (3) Ranking on Tradeweb platform for volume of risk traded (executed delta), except EUR Swaps which is for non-list executed delta. Ranking YTD between 01/01/2020 to 30/06/2020. EGB refers to European Government Bond. (4) Based on internal analysis for Q2'20. FX Forwards and Spot FX based on % of trades automatically quoted. US Treasuries and Gilts are based on % of trades subject to end-to-end automation. (5) Deposits include bank deposits (excluding repos) and customer deposits. (6) Other trading liabilities include other bank and customer deposits classified as trading liabilities. (7) Equity of £9.9bn represents accounting value of capital. (8) NatWest Group plc's 'NatWest Markets' operating segment is not the same as the NWM Plc legal entity or group. NWM Plc consolidated results includes the Central Items & Other segment but included NWM N.V. for statutory reporting only from 29 November 2019. (9) Other includes business previously referred to as legacy as well as certain additional wind-down activity. (10) These targets constitute forward-looking statements, as discussed on page 1. (11) This supersedes all prior guidance. (12) Subject to market conditions. (13) Term senior unsecured funding includes benchmark issuances and private placements. Other Funding excludes repos, derivative cash collateral and non-capital intragroup funding. (14) 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. (15) Baa2 is both NatWest Markets Plc's senior unsecured rating and the deposit rating.