

NatWest Markets Plc

Investor Factbook



1 May 2020

Key messages

- Strategically important part of NatWest Group, helping customers manage their financial risks and connecting them with international capital markets.
- Becoming a purpose-led bank, balancing the needs of all our stakeholders.
- Increase in Q1'20 core income compared to Q1'19 and Q4'19, driven by strong levels of customer activity, both before and during the emergence of the Covid-19 pandemic.
- Q1'20 RWA increased from FY'19, as the impact of market volatility increased counterparty credit and market risk, partially offset by the PRA's temporary approach to VaR back-testing exceptions.
- Remain committed to the medium term transition plan announced in February 2020 to refocus capital towards supporting the needs of NatWest Group's corporate and institutional customers, with a reduction in RWA of around £14-18bn.

Key results

Q1 2020:

£412m
Core Income¹

15.7%
CET1

£35.3bn
RWA

37.8%
MREL

287%
LCR

4.3%
CRR Leverage

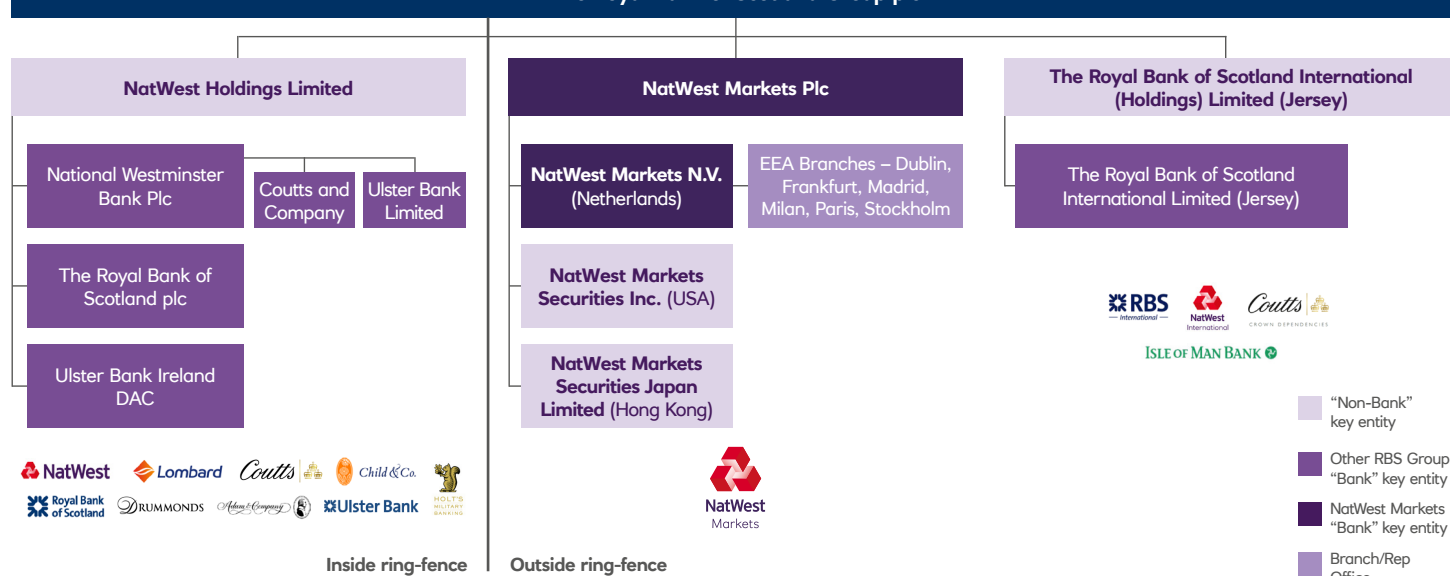
Core Income relates to NWM Plc consolidated, other amounts relate to NWM Plc solo.

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 the NatWest Group

The Royal Bank of Scotland Group plc



Note: Legal entity structure represents key entities only. The Royal Bank of Scotland Group plc ("RBSG plc") is intended to be renamed NatWest Group plc later this year.

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 13-14 of the NWM Plc Q1 2020 IMS ('NWM IMS') and pages 143-156 of the NWM Plc 2019 Annual Report and Accounts ('NWM ARA') and the Risk Factors on pages 29-31 of the RBSG plc Q1 2020 IMS and pages 281-295 of the RBSG 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)
- Ranked #2 GBP-denominated DCM by Volume – Q1 2020 (Dealogic)
- Risk Solutions House of the Year (Risk Awards 2020, awarded in 2019)
- Best Corporate FX Provider in the UK 2020 Award (Global Finance Magazine)
- Portfolio Solutions House of the Year (GlobalCapital European Securitization Awards 2020)
- Best Agent of International US Private Placements (GlobalCapital 2020)

Serving our corporate and institutional customers with a refocused business⁸

Franchise View

Commercial Banking
Large / Mid Corporates

NatWest Markets

Customer View

Corporate and institutional customers

Non-corporate & institutional customers

NWM will offer....

- Full service financing and risk management, supporting the needs of NatWest Group's corporate and institutional customers
- Simplified product suite – serving currencies, rates and financing activities
- Leaner operating model, leveraging ring-fenced bank infrastructure
- Integrated customer coverage
- Increasing focus on digital solutions

...with capital reallocated over the medium term

- Substantial reduction in capital allocated to institutional rates
- Reduction in CET1 capital allocated to NWM, expected to be CET 1 capital ratio accretive in year one and over the course of the transition period
- RWAs reduced by around £14-18bn
- Continue to refine plan over the transition period

Electronic offering and automation

Strong market positions on Tradeweb³

#2 dealer
Gilts

#1 dealer
GBP Swaps

#3 dealer
EGBs

#10 dealer
EUR Swaps

With high levels of trading automation⁴

~92%
FX Forwards

~97%
Spot FX

~86%
US Treasuries

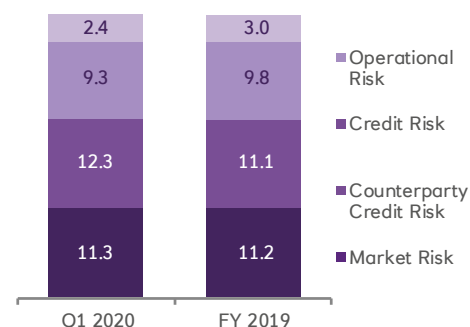
~72%
Gilts

Q1 2020 Results Overview

Capital

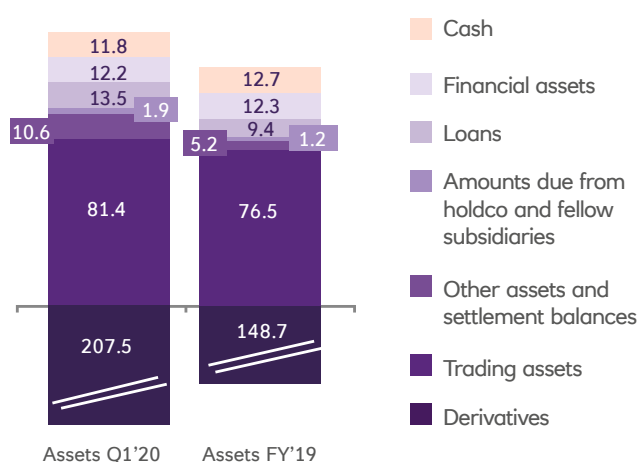
NWM Plc Solo Capital	Q1'20		FY'19	
	£bn	%	£bn	%
CET1 Capital	5.6	15.7	6.1	17.3
Tier 1 Capital	6.5	18.3	7.0	19.9
Total Capital	8.1	22.8	8.5	24.2
Capital and Internal MREL	13.3	37.8	13.5	38.4
Risk Weighted Assets	35.3		35.2	
CRR Leverage	151.2	4.3	136.5	5.1

Risk Weighted Assets

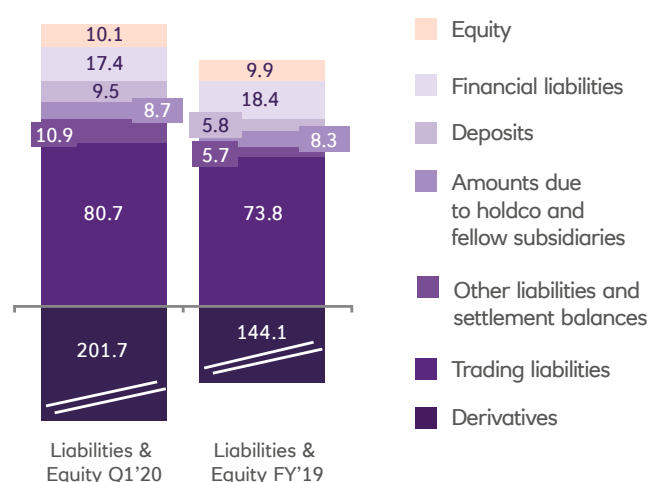


NWM Plc consolidated balance sheet⁵

Total Assets £339bn (FY'19: £266bn)
o/w Funded Assets £132bn (FY'19: £117bn)



Total Liabilities & Equity
Total Liabilities £329bn (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 statement⁶

Q1'20 Total Income

Income	Q1'20	Q4'19	Q1'19
Rates	276	83	226
Currencies	194	84	105
Financing	(11)	77	93
Revenue Share paid to RBSG	(47)	(56)	(50)
Core Income	412	188	374
Legacy and OCA ⁷	128	-78	-95
Other		-3	-3
Total	540	107	276

Q1'20 Operating Expenses

Operating Expenses	Q1'20	Q4'19	Q1'19
Strategic costs	(32)	(73)	(12)
Litigation and conduct costs	(104)	(60)	6
Other Operating Expenses	(319)	(271)	(225)
Total	(455)	(404)	(231)

Q1'20 Operating Profit

Operating profit	Q1'20	Q4'19	Q1'19
Income	540	107	276
Operating expenses	(455)	(404)	(231)
Operating profit / (loss) before impairments	85	(297)	45
Impairment releases	5	9	20
Tax (charge) / credit	(82)	(18)	53
(Loss) / profit for the period	8	(306)	118

Outlook

Capital and RWA targets^{6,8}

NWM Plc Medium Term Targets	
RWA reduction	c.£14-18bn
CET1 Capital	Above 15%
MREL Ratio	At least 30%
Leverage Ratio	At least 4%

NWM Franchise Targets ⁹	
RWA total at end 2020	c. £32bn
RWA total in medium term	c. £20bn
Income disposal losses relating to refocus	Less than £0.4bn
Strategic costs relating to refocus	c. £0.2bn

RWA reduction expected to be capital ratio accretive in year one and over the course of the transition plan period

Funding sources and plan

Q1'20	£bn
Owners' equity	10.1

Deposits ¹⁰	9.5
Other trading liabilities ¹¹	1.8
Trading debt securities in issue	2.0
Other debt securities in issue	16.3
Subordinated liabilities	1.1
Funding	30.7

2020 NatWest Markets Plan

Note: Subject to business requirements and market conditions

Term Senior unsecured

£3-5bn

Other Funding¹²

Maintain

- During 2020 NWM Plc aims to further diversify the investor base and build out new markets and issuance programmes
- Total term senior unsecured issuances of £3-5bn in 2020, including via NWM's EMTN programme and from its Rule 144A MTN programme for US investors

Credit ratings

	Moody's	Standard & Poor's	Fitch
NWM Plc / NWM N.V.			
Senior Unsecured	Baa2 ¹⁴ / P-2 / Positive	A- / A-2 / Negative	A+ / F1 / Negative
Counterparty Rating ¹³	A3 / P-2	A / A-1	A+ (dcr)
NatWest Markets Securities Inc.			
Senior Unsecured	NR ¹⁵	A- / A-2 / Negative	A / F1 / Negative
Counterparty Rating ¹³	NR ¹⁵	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@rbs.com

Note: (1) Core Income excludes legacy, 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 RBSG 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 31/03/2020. EGB refers to European Government Bond. (4) Based on internal analysis for Q1'20. 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) Equity of £10.1bn represents accounting value of capital compared to £8.1bn which represents the regulatory value of capital. (6) RBSG 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. (7) Own Credit Adjustments. (8) These targets constitute forward-looking statements, as discussed on page 1. (9) This supersedes all prior guidance. (10) Deposits include bank deposits (including repos) and customer deposits. (11) Other trading liabilities include other bank and customer deposits classified as trading liabilities. (12) Other Funding excludes repos, derivative cash collateral and non-capital intragroup funding. (13) 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. Fitch rating does not apply to NWM N.V. (14) Baa2 is both NatWest Markets Plc's senior unsecured rating and the deposit rating. (15) Not rated.