

NatWest Markets Plc Factbook FY 2020



19 February 2021

Key messages

- Strategically important part of NatWest Group, partnering with customers to help them address their liquidity, financing and risk management needs and build long term sustainable value.
- The business continues to refocus, providing greater alignment with NatWest Group customers, having refined the product and services offering.
- RWAs for NWM Plc decreased by £9.6bn during 2020, reflecting lower levels of credit, counterparty credit and market risk, as a result of exits and capital optimisation activity. NWM also benefitted from temporary changes by the PRA in the calculation of Market RWA during the year.
- NWM Group reported a loss before tax of £315m for FY 2020. Total income was £1,158m¹ compared with £719m in 2019, driven by increased levels of customer activity as the market reacted to COVID-19 and lower trading income in the prior year due to challenging market conditions. Operating expenses were £1,431m compared to £997m in 2019, largely due to increased litigation and conduct costs and strategic costs and the non-repeat of cost recoveries in 2019.
- Strong capital and liquidity positions maintained through a period of volatility and transformation, with CET1 ratio of 21.7% and LCR of 268%. An interim dividend of £500m was paid to NatWest Group plc on 19 February 2021.
- Moody's upgraded the senior unsecured ratings of NWM Plc and NWM NV by two notches to A3 from Baa2, retaining positive outlook.

FY 2020 Key results¹

£1,158m Total Income ¹	£(315)m Loss before tax ¹
£25.6bn RWA	21.7% CET1
5.2% CRR leverage	49.6% MREL
268% LCR	£19.4bn Liquidity portfolio

¹ Income and loss before tax relates to NWM Plc consolidated, other amounts relate to NWM Plc solo

Overview

We provide liquidity and risk management in Currencies and Fixed Income through a combination of voice and electronic delivery. Through our Capital Markets business we provide an integrated proposition across financing, solutions and advisory services:

Fixed Income:

We have longstanding expertise in the fixed income markets. We offer cash bond, repo and interest rate derivatives with a focus in GBP, EUR and USD and provide liquidity and credit for Investment Grade and High Yield for both financial institutions and corporate issuers.

Currencies:

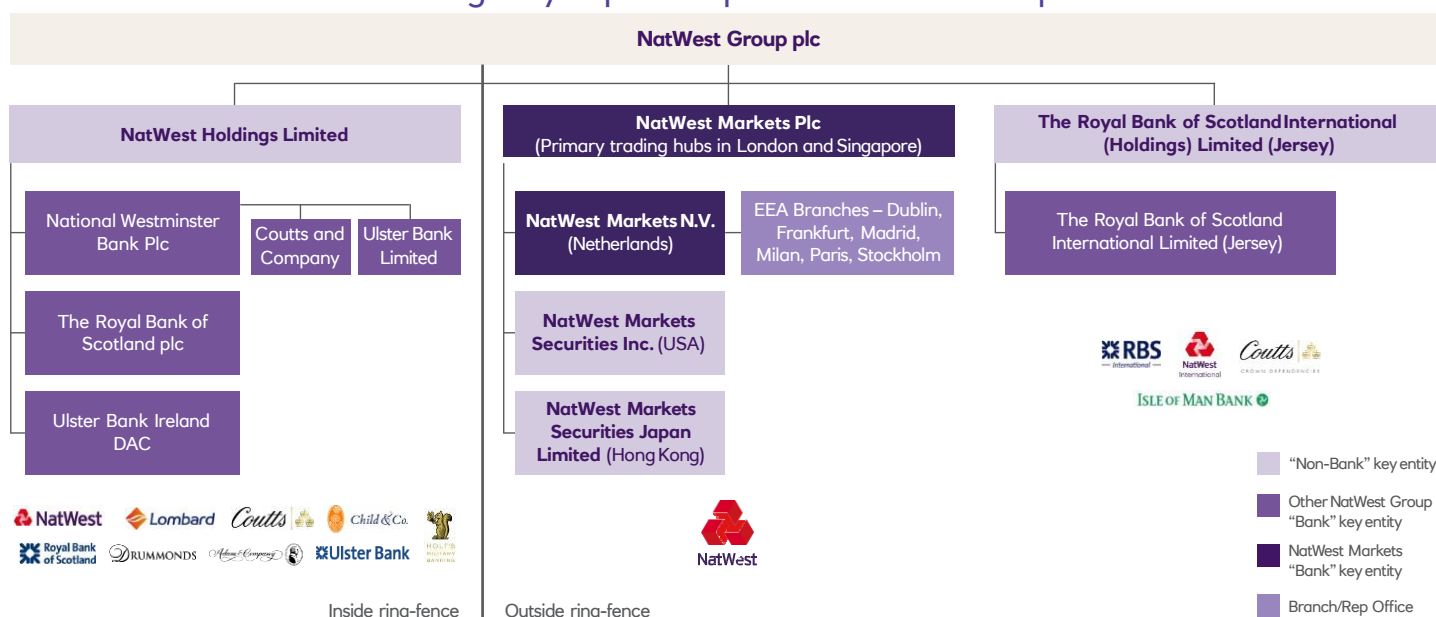
We're an award-winning foreign exchange service provider offering FX spot, forwards and options in more than 60 currency pairs as well as FX prime brokerage service and digital solutions.

Capital Markets:

We are a leading partner for our customers helping them to access global debt capital markets across a wide variety of products and target markets, including bonds, loans, commercial paper, MTNs and private placements as well as bespoke financing solutions and primary lending products.

We operate from trading hubs in London, Singapore, Stamford and from Amsterdam via NatWest Markets N.V. (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 156-172 of the NWM Plc 2020 Annual Report and accounts (‘NWM ARA’) and pages 345-362 of the NatWest Group plc 2020 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. 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.

Supporting customers

We support our customers through our product offering and by providing ideas, thought leadership and insight

Sustainable finance

We believe that our focus on sustainable finance and helping customers achieve their ESG and climate ambitions is fundamental to our purpose. This year we have expanded our social and sustainable financing capabilities, including structuring COVID-19 response frameworks and issuances.

COVID-19 response

We actively supported our customers in raising much needed financing to mitigate the negative socio-economic implications of the pandemic. We worked closely with NatWest Group's Commercial Banking business to support customers' access to the COVID Corporate Financing Facility (CCFF). As at 31 December 2020, NWM Group has worked with customers, utilising strong specialist expertise across the bank to help them navigate this period of uncertainty and delivered access to a total of £9.47bn gross financing.

Digital

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

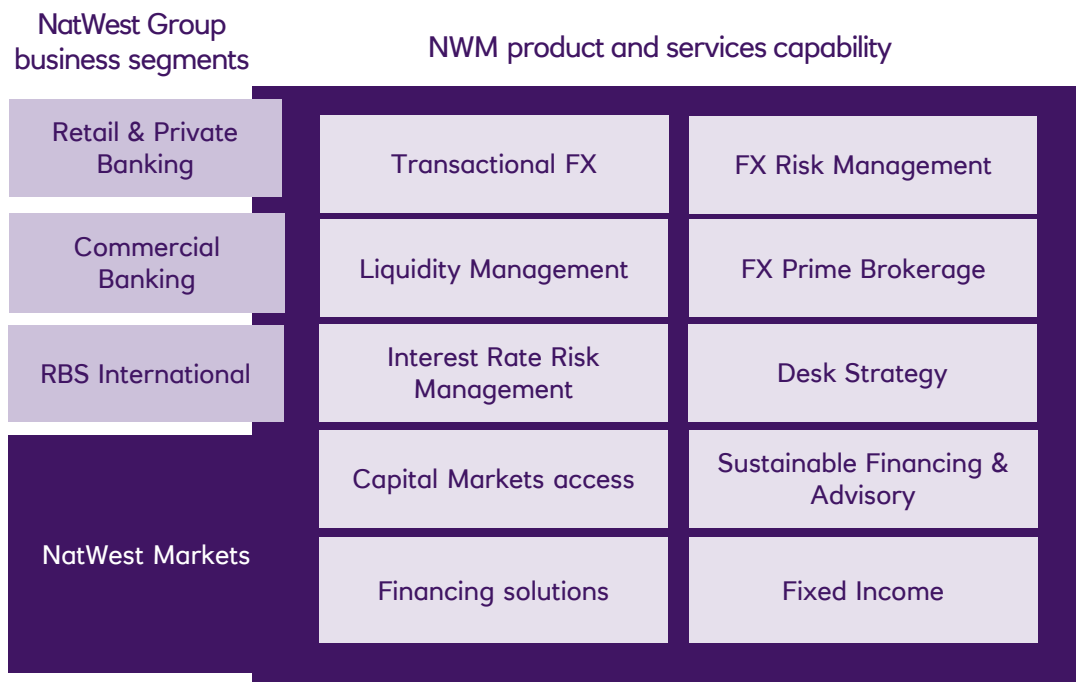
Colour, Content and Ideas

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

We focus on anticipating our customers' needs and providing excellent customer service and execution. This has been recognised by a number of awards and surveys in 2020

					
UK Corporates FX Service Quality Leader Greenwich Associates, Global FX Study, UK Corporates, 2019, awarded April 2020	#1 European Government Bonds by Estimated National Share – Gilts Greenwich Associates European Fixed Income Rates 2020	Most Impressive FIG House in Sterling GlobalCapital Bond Awards 2020	#1 lead manager for sustainability-labelled debt for UK corporates Dealogic FY 2020 (Includes all green, social, sustainability and transition labelled debt)	Most Accurate UK Economy Forecaster of 2019 – Ross Walker Consensus Economics, awarded May 2020	Best Agent of International US Private Placements GlobalCapital Syndicated Loan, Leveraged Finance and Private Debt Awards 2019, awarded 2020

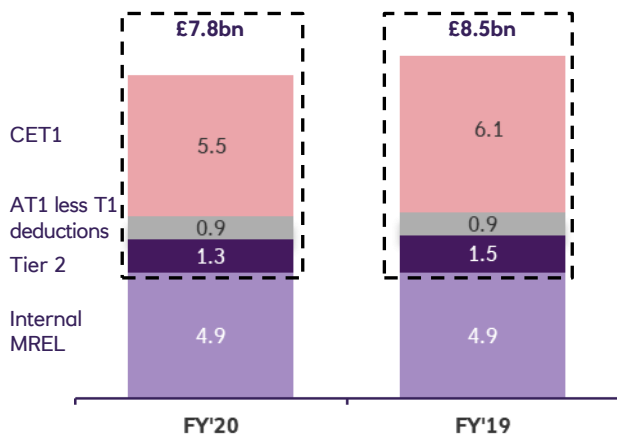
NatWest Markets product and services capability is well-positioned to support the full spectrum of NatWest Group customers and their needs



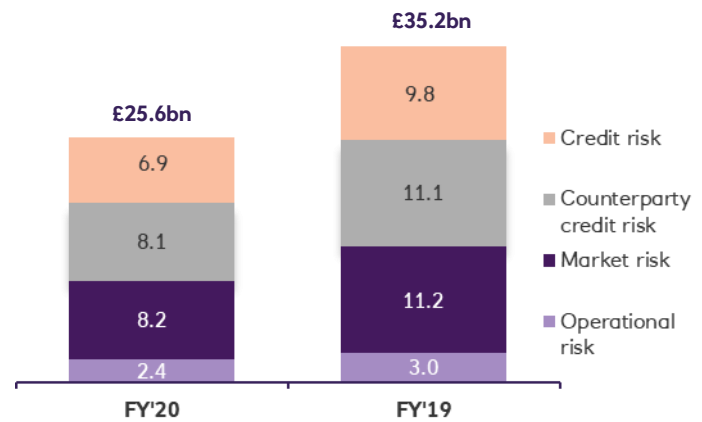
FY 2020 Results Overview

NWM Plc Capital and RWA profile

NWM Plc Regulatory capital and MREL Stack (£bn)²

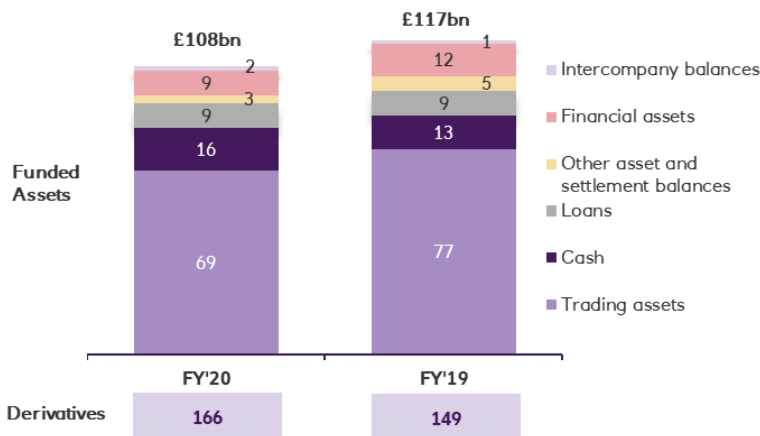


NWM Plc Risk Weighted Assets (£bn)



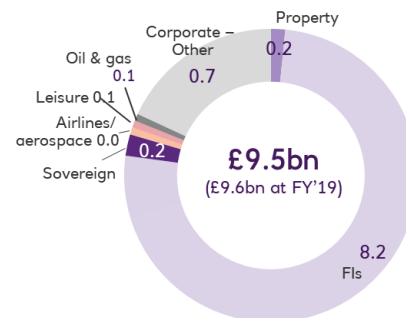
NWM Plc consolidated balance sheet (£bn)

Total assets £273bn (FY'19: £266bn)
o/w Funded Assets £108bn (FY'19: £117bn)



Loan asset quality

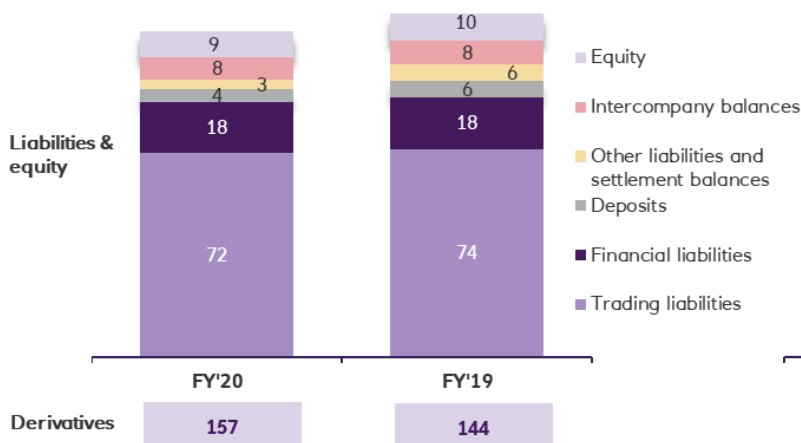
Loans – amortised cost and FVOCI for key sectors in the Wholesale portfolio impacted by Covid-19, £bn



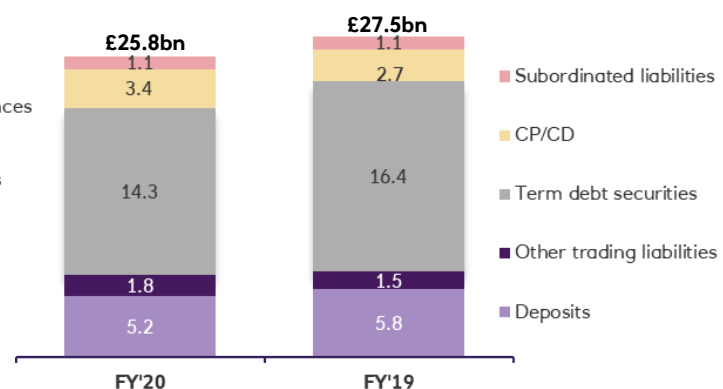
Stage	Loans, £bn	Loans, %	ECL coverage, %
Stage 1	7.8	82.1%	0.2%
Stage 2	1.6	16.8%	3.1%
Stage 3	0.2	1.1%	77.2%

Note: numbers may not cast due to rounding

Total liabilities and equity £273bn (FY'19: £266bn)³



External funding composition (£bn)⁴



NWM Plc consolidated income statement (£m)⁵

Income statement	FY'20	Q4'20	Q3'20	Q2'20	Q1'20	FY'19
Fixed Income	511	(17)	125	226	177	415
Currencies	583	121	126	142	194	427
Capital Markets	384	90	75	131	88	344
Revenue Share paid to NWG	(193)	(53)	(45)	(48)	(47)	(179)
Capital Management Unit & other ⁶	(20)	(16)	40	(17)	(27)	(208)
Income excluding Asset disposals and Own credit adjustments (OCA)	1,265	125	321	434	385	799
Asset disposals / Strategic risk reduction	(83)	(8)	(12)	(63)	0	0
Own credit adjustments	(24)	(43)	(34)	(102)	155	(80)
Total income	1,158	74	275	269	540	719
Strategic costs	(191)	(47)	(32)	(80)	(32)	(171)
Litigation and conduct costs	(134)	(7)	(14)	(9)	(104)	94
Other Operating Expenses	(1,106)	(299)	(218)	(270)	(319)	(920)
Operating expenses	(1,431)	(353)	(264)	(359)	(455)	(997)
Operating profit / (loss) before impairments	(273)	(279)	11	(90)	85	(278)
Impairment releases / (losses)	(42)	-	3	(50)	5	48
Tax (charge) / credit	(12)	46	21	3	(82)	109
Profit / (loss) for the period	(327)	(233)	35	(137)	8	(121)

Note: Fixed income is comprised of Rates and Credit trading. Rates income was previously presented as a separate business in prior NatWest Markets results publications. Credit trading and Capital Markets were previously reported as Financing.

Outlook

Capital, Funding and RWA targets⁷

NWM Plc Medium Term Targets

Expect to achieve the majority of the remaining expected medium term RWA reduction by end 2021	
CET1 Capital	Above 15%
MREL Ratio	At least 30%
Leverage Ratio	At least 4%

NWM Franchise Targets

RWA total in medium term	£20bn
Expect to achieve the majority of the remaining NatWest Markets RWA reduction towards the medium term target of £20bn by end 2021 ⁸	
Exit and disposal costs are expected to be around £0.2bn in 2021	

2021 NWM Plc Funding Sources and Targets

Term senior unsecured ⁹	Limited term financing planned this year, given balance sheet reduction as business refocuses ⁸
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Credit ratings

	Moody's	Standard & Poor's	Fitch
NWM Plc / NWM N.V.			
Senior Unsecured	A3 / P-2 / Positive	A- / A-2 / Negative	A+ / F1 / Negative
Counterparty Rating ¹⁰	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 ¹⁰	Not Rated	A- / A-2	A (dcr)

Investor relations contacts

Head of Debt Investor Relations: Paul Pybus

T: +44 20 7672 1758 E: paul.pybus@natwest.com

Note: (2) Excludes non-eligible capital. (3) Equity of £9.3bn represents accounting value of capital. (4) Deposits include bank deposits (including repos) and customer deposits. Other trading liabilities include other bank and customer deposits classified as trading liabilities. (5) 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. (6) Capital Management Unit was set up in Q3 2020 to manage the capital usage and optimisation across all parts of NatWest Markets. The income shown here relates to legacy assets. (7) These targets constitute forward-looking statements, as discussed on page 1. (8) This supersedes prior guidance. (9) Term senior unsecured funding includes benchmark issuances and private placements. Other Funding excludes repos, derivative cash collateral and non-capital intragroup funding. (10) 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.