

# NatWest Markets Plc

## Investor Factbook

30 October 2020



### 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.
- NatWest Markets is a relationship led business, focusing on the things it does best and that matter most to customers.
- Progress has been made to reshape the business for the future creating greater alignment with NatWest Group customers as well as refining our products and services offering, creating a simple operating model and leveraging ring-fenced bank infrastructure.
- Continue to target a reduction in RWA of around £14-18bn over the medium term, with YTD RWA reduction of £7.0bn. Reduction of £4.6bn from Q2'20 driven by lower levels of counterparty credit and market risk. Intend to achieve majority of expected reduction by end 2021.
- Increase in Q3'20 Rates and Currencies income compared to Q3'19, however income decreased compared to Q2'20, driven by lower levels of market activity and primary issuance.
- Strong capital and funding position, with an increase in CET1 ratio to 22.3% from 17.3% at FY'19.
- No changes to the economic scenarios driving ECL requirements to those described at H1'20.

### Key results

#### Q3 2020:

£321m  
Income<sup>1</sup>

22.3%  
CET1

£28.2bn  
RWA

49.6%  
MREL

302%  
LCR

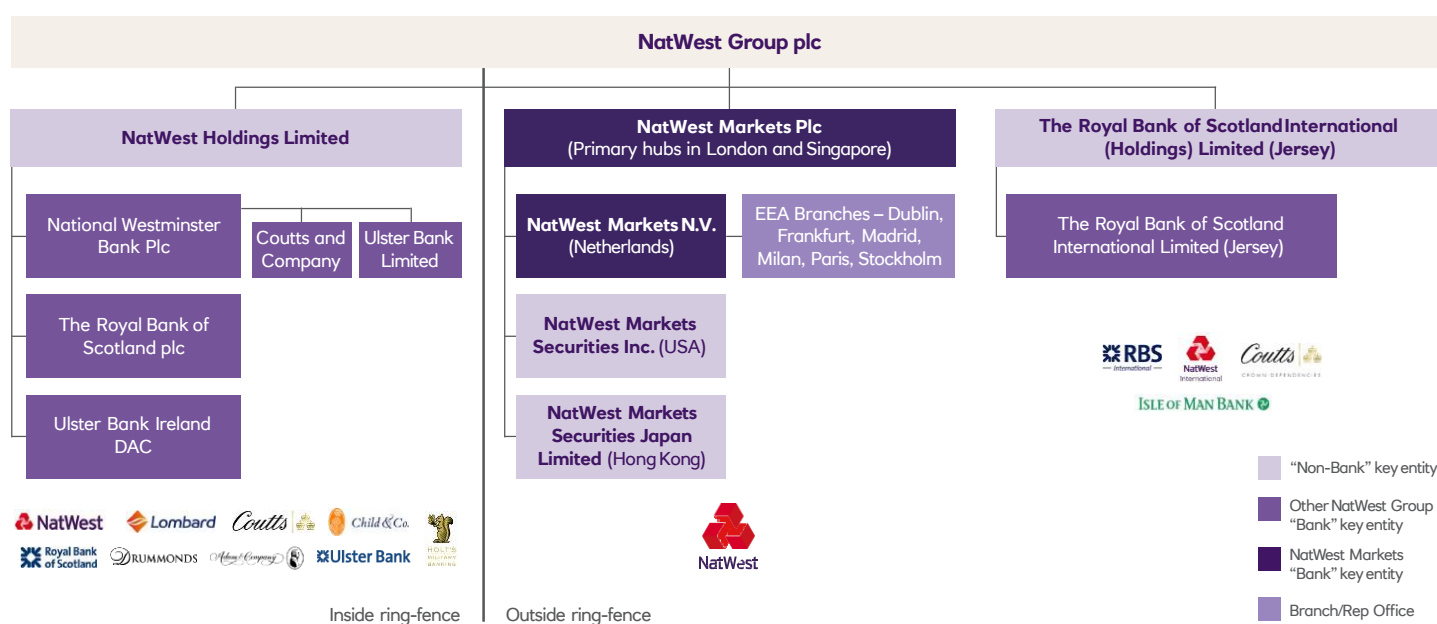
5.4%  
CRR  
Leverage

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 around Fixed Income (which includes Rates and Credit), Currencies and Capital Markets. 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.<sup>2</sup>(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, 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 H1 2020 IMS, pages 29-31 of the NatWest Group plc 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

### Fixed Income: Rates & Credit

We offer a range of interest rate cash and derivatives products supporting customers' financing and hedging needs as well as providing Credit trading capabilities to support Capital Markets activities

### Currencies

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

### Capital Markets

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

### 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

## #1 European Government Bonds by Market Share – Gilts

(Greenwich Associates European Fixed Incomes Rates 2019)

- 2020 Best British Domestic Bond Dealer
- 2020 Best Corporate GBP Dealer
- 2020 Best SSA GBP Dealer
- 2020 Best SSA CP Dealer (cmdportal)

## #1 UK Corporates FX Service Quality Leader

(Greenwich Associates Global FX Services, UK Corporates 2019)

- Most Impressive FIG House in Sterling (GlobalCapital Bond Awards 2020)
- 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 Corporate Green and Sustainable Bonds – 30 June 2020

(Dealogic)

- #2 GBP-denominated DCM by Volume – 9M 2020 (Dealogic)
- 2020 In-house Debt Team of the Year (FLR Awards Europe)
- Best Agent of International US Private Placements (GlobalCapital 2020)

## Serving our corporate and institutional customers with a refocused business<sup>8</sup>

### NatWest Group 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
- Core capabilities in Currencies, Fixed Income and Capital Markets activities, with simplified product suite
- Integrated customer coverage co-creating colour, content and ideas
- Sharpened focus on digitisation and automation

### ...with capital reallocated over the medium term

- Capital Management Unit established to safely manage capital reduction and optimisation
- RWAs reduced by around £14-18bn from FY'19; intend to achieve majority of expected reduction by end 2021
- Simplifying our operating model, leveraging shared resources and expertise across NatWest Group to think and act as one bank for our customers

## Electronic offering and automation

Strong market positions on Tradeweb<sup>3</sup>

With high levels of trading automation<sup>4</sup>

#2 dealer  
Gilts

#1 dealer  
GBP Swaps

#5 dealer  
EGBs

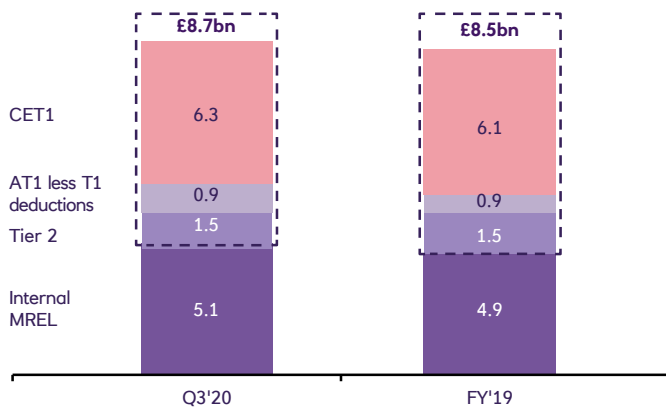
~94%  
FX Forwards

~98%  
Spot FX

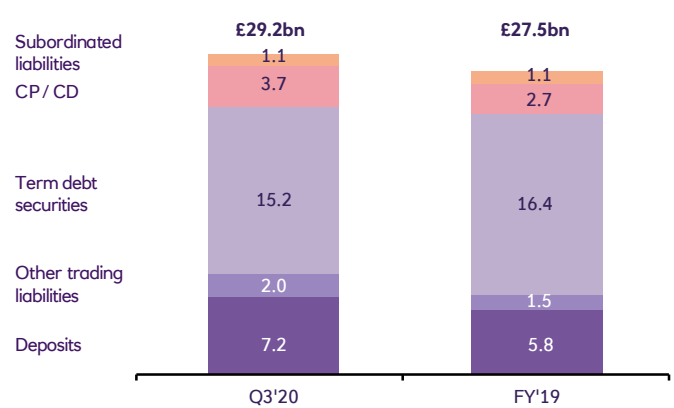
~85%  
US Treasuries

# Q3 2020 Results Overview

## Regulatory Capital and MREL Stack (£bn)<sup>5</sup>

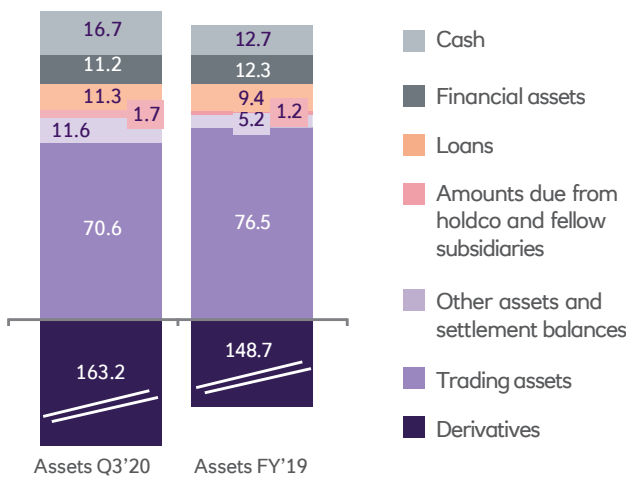


## Funding Stack (£bn)<sup>6</sup>

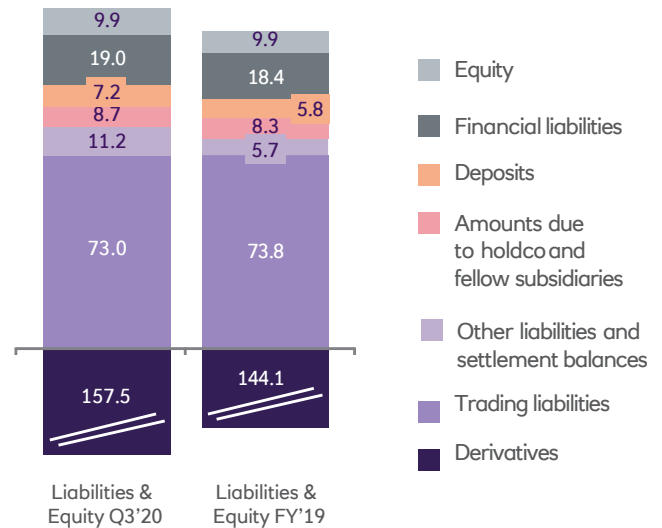


## NWM Plc consolidated balance sheet (£bn)<sup>7</sup>

**Total Assets £286bn** (FY'19: £266bn)  
o/w Funded Assets £123bn (FY'19: £117bn)



**Total Liabilities & Equity**  
Total Liabilities £276bn (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)<sup>8</sup>

Q3'20 Total Income			
Income	Q3'20	Q2'20	Q3'19
Fixed Income	125	226	(20)
<i>Of which Rates</i>	107	175	(35)
Currencies	126	142	118
Capital Markets	75	131	96
Revenue Share paid to RBSG	(45)	(48)	(51)
Capital Management Unit & other <sup>9</sup>	40	(17)	(26)
<b>Income excluding Asset disposals and Own credit adjustments (OCA)</b>	<b>321</b>	<b>434</b>	<b>117</b>
Asset disposals / Strategic risk reduction	(12)	(63)	0
Own credit adjustments	(34)	(102)	(11)
<b>Total</b>	<b>275</b>	<b>269</b>	<b>106</b>

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. Income of £3m, £1m and £12m relating to business previously within Fixed Income, Currencies and Capital Markets respectively has been reallocated to Capital Management Unit in Q3 2020. Comparatives have not been restated. The equivalent amounts were £(1)m, £1m and £14m in Q2 2020 and £(12)m, nil and £7m in Q3 2019.

## Q3'20 Operating Expenses

Operating Expenses	Q3'20	Q2'20	Q3'19
Strategic costs	(32)	(80)	(53)
Litigation and conduct costs	(14)	(9)	138
Other Operating Expenses	(218)	(270)	(267)
<b>Total</b>	<b>(264)</b>	<b>(359)</b>	<b>(182)</b>

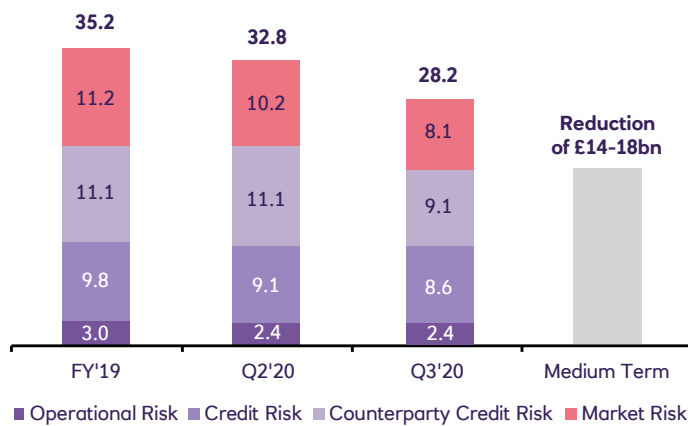
Note: Q3'20 Other operating expenses reflect cost reductions following the strategic announcements in February 2020.

## Q3'20 Operating Profit

Operating profit	Q3'20	Q2'20	Q3'19
Income	275	269	106
Operating expenses	(264)	(359)	(182)
<b>Operating profit / (loss) before impairments</b>	<b>11</b>	<b>(90)</b>	<b>(76)</b>
Impairment releases / (losses)	3	(50)	3
Tax (charge) / credit	21	3	53
<b>Profit / (loss) for the period</b>	<b>35</b>	<b>(137)</b>	<b>(20)</b>

# Outlook

## NWM Plc Risk Weighted Assets (£bn)



- Reducing RWA by £14-18bn from FY'19 total of £35.2bn over the medium term; intending to achieve majority of expected RWA reduction by end of 2021.
- Risk Weighted Assets have decreased by £4.6bn since Q2'20, resulting in a YTD reduction of £7.0bn.
- Decreases reflect lower levels of credit, counterparty credit and market risk, which have all trended downwards as the business seeks to reduce RWA, including through the execution of capital optimisation actions and exit activity.
- RWA levels were also favourably impacted by market volatility stabilising during the year.

## Capital, Funding and RWA targets<sup>8,10</sup>

### 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 <sup>13</sup>	Likely to be below the previous guidance of £3-5bn <sup>11</sup>
Other funding	Maintain

### NWM Franchise Targets

RWA total at end 2020 <sup>11</sup>	c. £30bn
RWA total in medium term	£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 <sup>12</sup>	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
<b>NWM Plc / NWM N.V.</b>			
Senior Unsecured	A3 <sup>15</sup> / P-2 / Positive	A- / A-2 / Negative	A+ / F1 / Negative
Counterparty Rating <sup>14</sup>	A3 / P-2	A / A-1	A+ (dcr)
<b>NatWest Markets Securities Inc.</b>			
Senior Unsecured	Not Rated	A- / A-2 / Negative	A / F1 / Negative
Counterparty Rating <sup>14</sup>	Not Rated	A- / A-2	A (dcr)

## Investor relations contacts

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Note: (1) Income excluding asset disposals / strategic risk reduction and own credit adjustments. (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 30/09/2020. EGB refers to European Government Bond. (4) Based on internal analysis for Q3'20. 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) Excludes non-eligible capital. (6) Deposits include bank deposits (including repos) and customer deposits. 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) 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. (10) These targets constitute forward-looking statements, as discussed on page 1. (11) This supersedes 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) A3 is both NatWest Markets Plc's senior unsecured rating and the deposit rating.