

NatWest Markets' New Issue Allocation Policy, Investor Hedging Activity and Stabilisation

This document provides you with information about the allocation policy followed by NatWest Markets division ("**NWM**") for new issues of debt capital markets securities; the hedging activities that investors may carry out at or around the time you bring a new issue to market; and the circumstances in which we might recommend stabilisation activity on your new issues.

Allocation Policy

Whenever you appoint us to act as an active bookrunner on a new issue of bonds we will be involved in making decisions regarding the allocation of bonds to investors on your behalf. It is NWM's policy to undertake such allocations with integrity, to do so in line with your expectations and objectives and with the general principle of fairness to all parties involved and in accordance with all applicable laws and regulations. We are sending you this document to aid transparency regarding the new issue process and to comply with our regulatory obligations.

In making allocation decisions and recommendations, we will give consideration to a wide range of factors including, but not limited to, the following:

- your preferences, requests or expectations;
- whether investors conform to your preferred investor profile;
- the category or description into which an investor falls (e.g. insurance company, pension fund, fund manager, hedge fund etc.);
- the geographical location of the investor;
- the size of an investor's expressed interest (relative to that investor's portfolio); and the extent to which its expressed interest is consistent with its investment strategy and objectives;
- the reputation of a proposed investor and its behaviour in past issues generally;
- an investor's interest in, and past dealings in, other securities issued by you and by other issuers in your sector;
- the nature and level of interest shown by an investor in your organisation and the particular issue, for example its involvement in road shows and other direct contacts with you;
- any statement by an investor about its intentions (including, but not restricted to, the duration of its holding period, total return objectives) and the perceived credibility of any such statement;
- any indication or reasonable belief that an investor has exaggerated the true extent of its interest, in the expectation of being scaled down; and
- any selling restrictions or other relevant legal or regulatory requirements in jurisdictions in which the securities are being offered or sold.

NWM's syndicate functions are responsible, in conjunction with any other active bookrunners, for determining the final allocation of securities to investors. In doing so, our syndicate desk staff will use their knowledge and judgement to the best of their abilities to ensure that your stated objectives, if any, in respect of (i) the pricing of securities; (ii) the allocation of securities to your target investor base; and/or (iii) the after-market for the securities, are achieved to the fullest extent possible considering the circumstances and market conditions prevailing at the time.

If you appoint us as active bookrunner on a “bought deal” or on a “hard underwritten” basis, we will make allocations at our own discretion, though we will still consider any preferences or objectives that you have told us about in advance.

On a book-built transaction we will, upon request and subject to our compliance with applicable laws, provide you with details of the final allocations made to investors.

We will not retain securities on our syndicate book, or either allocate securities in the primary syndication or sell to our secondary trading desks, except (i) where necessary to manage our risk management requirements, for example on a hard underwritten transaction or, potentially, if a new issue is not fully placed; and (ii) where we have an explicit agreement with you that we may do so in order to facilitate secondary market trading and thereby contribute to an orderly secondary market in the securities.

Please note that where NWM is mandated to act as one of several active bookrunners we may also need to take into account the policies and procedures of the other active bookrunners and in these circumstances we may have a more limited ability to influence the allocation process. Where we are appointed as a passive bookrunner we will not be involved in the allocation process.

Hedging activity by investors

When we sell your bonds in the primary market, investors may fund their purchases, or enter into trades related to purchasing your bonds, in a number of ways. They may sell other securities previously issued by you or by another issuer, they may sell the underlying benchmark security against which your new bond is being priced, or they may enter into other trades in the market. NWM may facilitate or be involved in these transactions on behalf of investors. Please be aware that it is possible, though not the intention, that such transactions could adversely or otherwise affect (i) the price of the underlying benchmark against which your new issue is priced, and by extension the price of your new issue; and (ii) the price of your existing debt securities.

Stabilisation

EMEA

In some circumstances we may recommend that you over-allocate a new issue to allow us and any other bookrunners to either stabilise the deal or make adjustments to allocations in the aftermarket so as to support the price and the orderly distribution of the securities. The current and the proposed future regulatory regime permits us to over-allocate and support (i.e. “stabilise”) a transaction within a regulatory ‘safe harbour’ if we do so within certain limits and comply with certain requirements, such as publishing pre- and post-stabilisation notices. If we do not comply with these requirements we may be in breach of the market abuse regulatory regime. Our policy is to conduct all stabilisation activity in accordance with applicable law and regulation and in a manner which contributes to ensuring fair and orderly markets. We will consult with you if we believe that stabilisation activity is required or recommended on any of your new issues.

US

In connection with the offering, we, on behalf of the syndicate, may purchase and sell the notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Regulators view such stabilizing transactions as beneficial to both issuers and investors because they contribute to the orderly operation of the market in the period immediately following the issuance of the securities. Our policy is to conduct all stabilization activity in accordance with applicable law and regulation and in a manner which contributes to ensuring fair and orderly markets. We will consult with you if we believe that stabilization activity is required or recommended on any of your new issues.

We are committed to being transparent about the pricing and allocation of your new bond issues. We would be very willing to discuss our allocation principles and new issue processes with you in more detail. If you would like the opportunity to do so, please contact your usual NWM origination or syndicate desk representative.

NatWest Markets is a marketing name of The Royal Bank of Scotland plc.