

Investor Factbook

17/12/2018



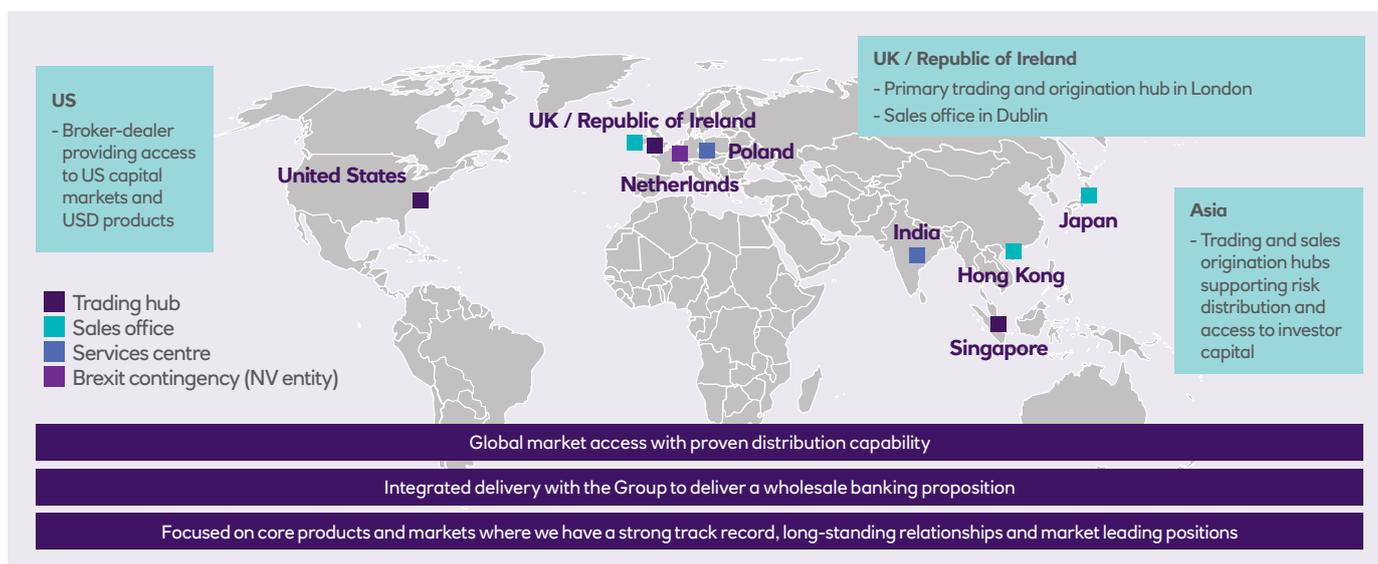
NatWest
Markets

Key messages¹

- NatWest Markets Plc, formerly The Royal Bank of Scotland plc, is the markets business of The Royal Bank of Scotland Group plc providing investment banking services to the RBS Group's corporate and institutional customers
- The Royal Bank of Scotland plc was renamed NatWest Markets Plc in April 2018
- Core business built around rates, currencies and financing
- High quality asset mix and balance sheet supporting investment grade credit ratings
- Well capitalised with loss absorbing capacity to be down-streamed from the parent, RBS Group plc

Business Overview

- NatWest Markets is focused on products and markets where it has a strong track record, long standing relationships and market leading positions
- Activities are organised across two business lines to provide financing and risk management services:
 - **Trading & Flow Sales:** provides liquidity and risk management in rates, currencies, credit and securitised products through a combination of voice and electronic delivery
 - **Financing & Risk Solutions:** built around integrated financing, debt capital markets and risk management solutions, on a foundation of insightful content and structuring
- NatWest Markets offers its customers global market access with three trading hubs in London, Singapore and Stamford, and sales offices across key locations in the UK, EU, US and Asia
- NatWest Markets brings our financing and trading solutions to Business, Commercial and Corporate customers within the RBS Group via platforms such as FXmicropay and Agile Markets
- NatWest Markets N.V.² (NWM N.V.), the RBS Group's banking entity in the Netherlands, continues to implement its plan to be operationally ready to serve European Economic Area (EEA) customers when the UK leaves the European Union on 29 March 2019, in the event that there is a loss of access to the EU Single Market. NWM N.V. is expected to become a subsidiary of NatWest Markets Plc, subject to regulatory approvals
- NatWest Markets is investing to improve efficiency and transforming into a technology-led business focused on delivering sustainable returns



Note: (1) This document contains targets, expectations and trends which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and are subject to inherent risks, uncertainties and other factors which are further discussed in the Summary Risk Factors on pages 31-32 of NatWest Markets Plc's Interim Results of H1 2018 and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and RBS 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. See Forward Looking Statements on page 5. (2) RBS N.V. was renamed NatWest Markets N.V. on 30 April 2018.

Key Balance Sheet and Financial Information

1. Balance Sheet¹



- Balance sheet reflects the simplified business model with assets predominantly liquid government bonds or reverse repos
- Some RBS Treasury managed and residual assets were presented in disposal groups as at H1 18². Primarily consisting of liquid assets to be transferred into NatWest Markets Plc before it exits the DoLSub³ and residual assets that are expected to be sold
- Internal MREL down-streamed from RBS Group plc will be subordinated to senior unsecured Operating Company liabilities

Note: (1) Illustration of the continuing operations of NatWest Markets Plc and its subsidiaries (the "Group") as at 30 June 2018 after excluding items included in disposal groups and including Equity. Continuing activities and disposal groups are prepared in accordance with IFRS 5 and presented on page 4 of NatWest Markets Plc Interim Results 2018. The current legal entity structure of the Group excludes NatWest Markets N.V. (2) The balance between Continuing Operations Assets and Continuing Operations Liabilities, after adding back Total Equity, within NatWest Markets Plc reflects RBS Treasury managed assets and residual assets presented in disposal groups. These were primarily liquid assets expected to transfer to NatWest Markets Plc and residual assets that are expected to be sold. (3) At 30 June 2018 NatWest Markets Plc remains a member of the PRA regulated UK Domestic Liquidity Sub-Group (DoLSub) and its liquidity position is managed centrally, subject to regulatory approvals it will cease to be a member by November 2018. By Q4 2018 NatWest Markets is expected to hold its own separate liquidity portfolio. (4) Liabilities and Equity do not reflect the final amount of capital expected to be down-streamed by RBS Group plc as part of achieving NatWest Markets Plc's targeted 2020 capital base. There will continue to be distributions to RBS Group plc in line with the RBS Group's internal capital management plan and stated capital targets.

2. NatWest Markets Plc Solo Capital and Leverage¹

H1 18 ²	£bn	%
CET1	9.4	20.7%
Tier 1	11.3	25.0%
Leverage Ratio		6.4%
RWAs	45.2	
Leverage Exposure	176.2	

Note: (1) NatWest Markets Plc Solo capital and leverage ratios based on the PRA transitional arrangements for the Bank. (2) The capital, leverage exposure and RWAs reflect the impacts of the capital reduction on 2 July 2018. There will continue to be further distributions to RBS Group plc in line with the RBS Group's internal capital management plan and stated capital targets.

3. NatWest Markets Franchise Key Financials¹

Income £m	H1 18	H1 17	FY 17	FY 16
Total income	721	830	1,050	1,212
Operating expenses (ex. Strategic, Litigation and conduct costs)	(625)	(771)	(1,528)	(2,084)
Strategic costs	(34)	(237)	(436)	(190)
Litigation and conduct costs	(12)	(84)	(237)	(550)
Operating expenses	(671)	(1,092)	(2,201)	(2,824)
Impairment (losses)/releases	(4)	77	174	(253)
Operating (loss)/profit	46	(185)	(977)	(1,865)
<i>of which Legacy income</i>	<i>(46)</i>	<i>(80)</i>	<i>(549)</i>	<i>(496)</i>

Balance Sheet £bn	H1 18	H1 17	FY 17	FY 16
Funded Assets	134.5	141.7	118.7	128.5
Credit Risk - Non-counterparty	14.5	20.8	16.1	23.7
Credit Risk - Counterparty	15.0	17.7	15.3	22.8
Market Risk	16.8	14.5	16.2	16.4
Operational Risk	3.8	5.3	5.3	6.8
Total RWAs	50.1	58.3	52.9	69.7
<i>of which Core</i>	<i>34.5</i>	<i>31.7</i>	<i>32.3</i>	<i>35.2</i>
<i>of which Legacy ex Alawwal</i>	<i>9.8</i>	<i>19.2</i>	<i>14.0</i>	<i>26.6</i>
<i>of which Alawwal</i>	<i>5.8</i>	<i>7.4</i>	<i>6.6</i>	<i>7.9</i>

Note: (1) Income, expenses, impairments, RWAs and Funded Assets are presented based on the RBS Group's NatWest Markets Franchise, as such it includes items not currently residing within the NatWest Markets Plc entity or its subsidiaries, which currently excludes NatWest Markets N.V.

4. 2020 Target Cons Capital & Balance Sheet Metrics

2020 Target Cons Capital & Balance Sheet Metrics NatWest Markets (incl Legacy)¹

CET1	~14%
Total Capital	>28%
Leverage	>4%
RWA	~£35bn
Funded Assets	~£100bn
LCR	>100%

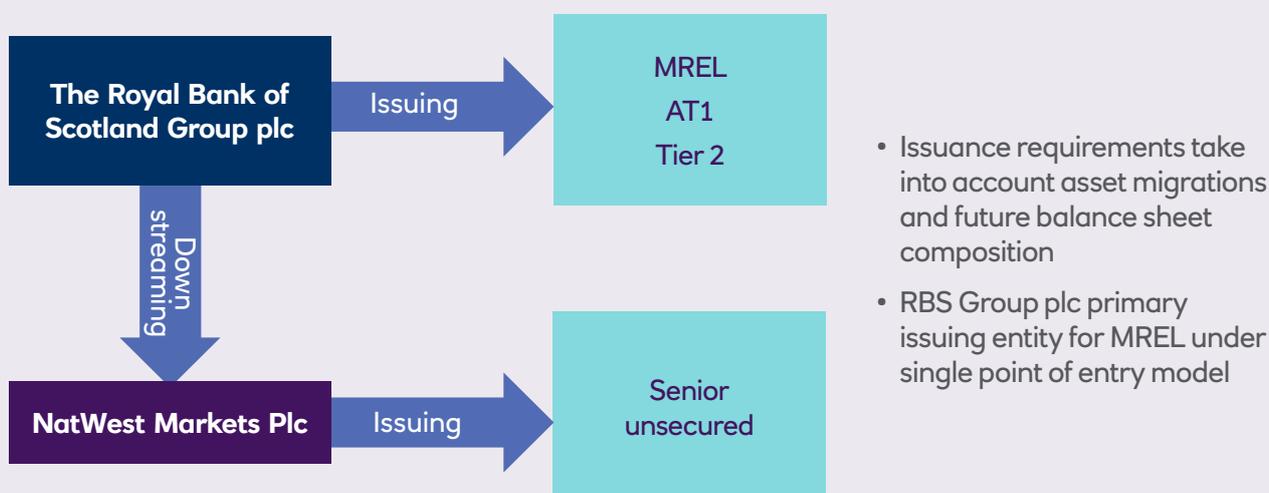
- NatWest Markets is targeting a capital base with a consolidated CET1 of approximately 14%, a leverage ratio greater than 4% and a total capital ratio of at least twice the CET1 ratio, including the benefit of down-streamed internal MREL

Note: (1) Unchanged from the targets presented on page 14 of the RBS plc Annual Report and Accounts 2017. The targets and expectations discussed represent management's expectations and are subject to change, including as a result of the risks described in the Summary Risk Factors on pages 31-32 of the NWM Plc Interim Results 2018.

5. Funding Sources

NatWest Markets Plc is strongly capitalised and has wholesale funding programmes in place:

- Loss absorbing capacity (target >28% of RWAs) to be down-streamed from the parent company, RBS Group plc
- Trading liabilities, including repos, largely matched by trading assets
- Active in long and short-end wholesale funding markets, with £6.8bn short-term wholesale funding at June 2018
- NatWest Markets issued £3.6bn of term senior unsecured during the first half and we expect to issue a further £1-1.5bn in the remainder of 2018, subject to business requirements and market conditions



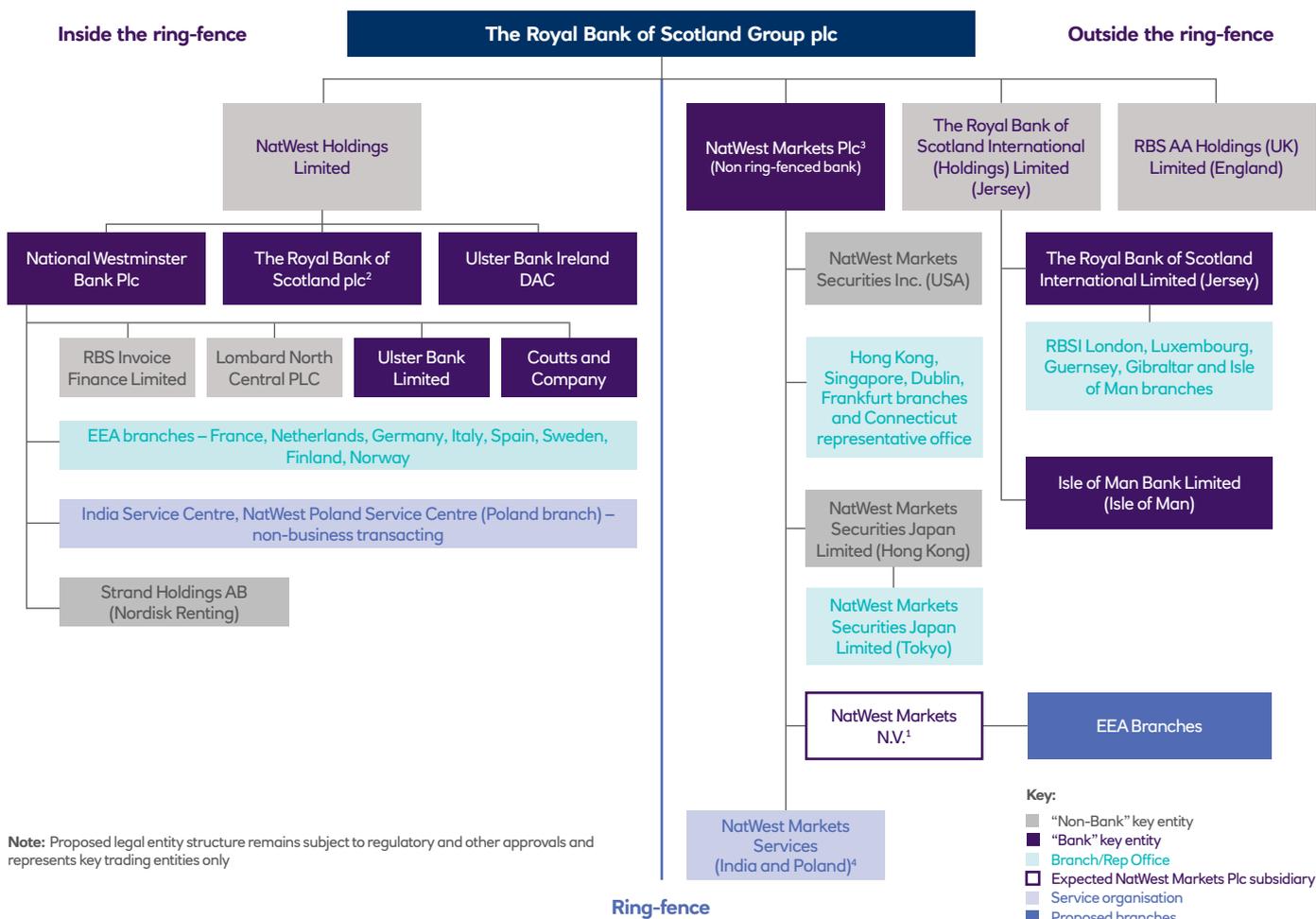
6. Ratings Position¹

As at 14/12/2018	Standard & Poor's	Moody's	Fitch
NatWest Markets Legal Entities			
NatWest Markets Plc	A-2 / BBB+ / Positive	P-2 / Baa2 ² / Positive	F1 / A / Stable
NatWest Markets N.V.	A-2 / BBB+ / Positive	P-2 / Baa2 ² / Positive	F1 / A / Stable
NatWest Markets Securities Inc	A-2 / BBB+ / Positive	NR ³	F1 / A / Stable

Note: (1) Senior Unsecured Debt ratings. NatWest Markets Plc and NatWest Markets N.V. have also been assigned a Resolution Counterparty Rating (A-) by S&P, a Counterparty Risk Rating (A3) by Moody's and a Derivative Counterparty Rating (BBB+) by Fitch. 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, S&P and Fitch methodologies for additional information. (2) Baa2 is both NatWest Markets Plc's senior unsecured rating and the deposits rating (3) NR = not rated.

7. Target Legal Entity Structure

Target legal entity structure largely in place. Primary future change is for NatWest Markets N.V.¹ to become a subsidiary of NatWest Markets Plc, it is currently a subsidiary of RBS Group plc.



Note: (1) NatWest Markets N.V., the RBS Group's banking entity in the Netherlands, is currently a subsidiary of RBS Group plc. It continues to implement its plan to be operationally ready to serve European Economic Area (EEA) customers when the UK leaves the European Union on 29 March 2019, in the event there is a loss of access to the EU Single Market. NatWest Markets N.V. is expected to become a subsidiary of NatWest Markets Plc, subject to regulatory approvals. (2) Renamed from Adam & Company PLC. (3) Renamed from The Royal Bank of Scotland plc (with branches and entities falling in line with new parent name). (4) Legal entity within India & Branch in Poland.

8. Ring-fencing – Standalone timeline



Q1 2018

22 March Court approved the first RFTS*



Q2 2018

RFTS and company name changes complete and effective as of 30 April
15 May, first Court hearing held the second RFTS*



Q3 2018

2 July, NatWest Markets Plc capital reduction and legal separation of ring-fenced bank sub-group complete
31 July, final Court hearing approved the second RFTS*
13 August, second RFTS* complete



Q4 2018

Intra-group capital and liquidity support arrangements restructured
Ring-fencing implemented

Note: Timeline is indicative and may be subject to change. (*) Ring-fence transfer scheme (RFTS) – the process where the bank will seek court permission to transfer customer accounts across entities within the RBS Group.

9. Forward Looking Statements

In this document, the term “RBSG” means The Royal Bank of Scotland Group plc and “RBS Group” means RBSG and its subsidiaries. The “Bank” means NatWest Markets Plc (formerly named the Royal Bank of Scotland plc or “RBS plc”) and the “Group” means the Bank and its subsidiaries.

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including (but not limited to) those related to RBS Group and the Group’s regulatory capital position and funding requirements, financial position, ongoing litigation and regulatory investigations, profitability and financial performance (including financial performance targets and expectations), the Group’s reliance on RBS Group for capital, liquidity and funding support, structural reform and the implementation of the UK ring-fencing regime, the implementation of RBS Group and the Group’s restructuring and transformation programme, impairment losses and credit exposures under certain specified scenarios, increasing competition from new incumbents and disruptive technologies and RBS Group and the Group’s exposure to political and economic risks (including with respect to Brexit), operational risk, conduct risk, cyber and IT risk and credit rating risk. In addition, forward-looking statements may include, without limitation, the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘commit’, ‘believe’, ‘should’, ‘intend’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘may’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as RBS Group and the Group’s future economic results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations and general economic and political conditions. These and other factors, risks and uncertainties that may impact any forward-looking statement or the Group’s actual results are discussed on pages 189 to 222 of the Group’s UK 2017 Annual Report and Accounts (ARA) and on pages 31 – 32 of the Group’s Interim Results of H1 2018. The forward-looking statements contained in this document speak only as of the date of this document and RBS Group and the Group do not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.