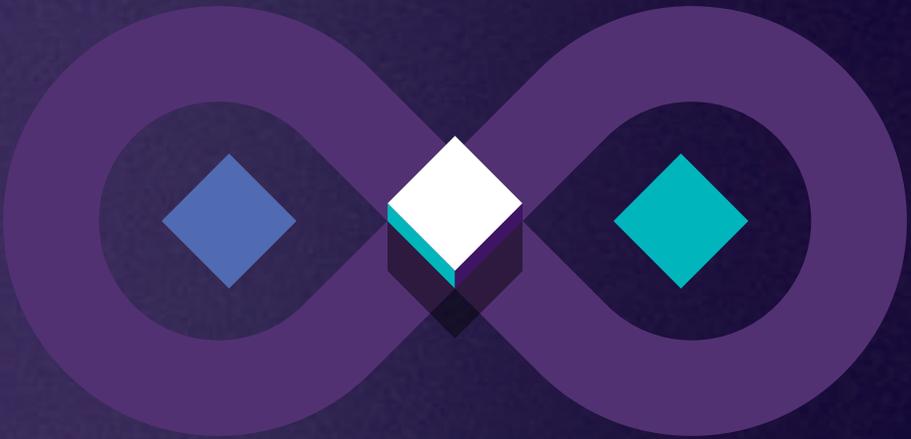


Notification of the Ring-fencing Transfer Scheme



NatWest
Markets



Notification of the Ring-fencing Transfer Scheme

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Part A

Overview of the Ring-fencing Transfer Scheme (RFTS)

Notification of ring-fencing changes

On 30 September 2016, The Royal Bank of Scotland Group plc announced the expected changes to the legal entity structure of the RBS group to comply with the UK ring-fencing legislation prior to 1 January 2019. Ring-fencing requires the separation of everyday banking services from investment banking services from 1 January 2019.

In order to be compliant with its requirements, we need to reorganise the way the RBS Group is structured.

To make these changes we're using two legal schemes called 'Ring-fencing Transfer Schemes'. The first Ring-fencing Transfer Scheme became effective on 30 April 2018, and transferred certain personal, private, business and commercial businesses of NatWest Markets Plc (formerly known as The Royal Bank of Scotland plc) to The Royal Bank of Scotland plc (formerly known as Adam & Company PLC) or National Westminster Bank Plc ("**NatWest Bank Plc**"). This booklet relates to the second Ring-fencing Transfer Scheme, which will transfer the interest rate and foreign exchange derivatives business of NatWest Bank Plc to NatWest Markets Plc (the "**RFTS**").

What's happening?

NatWest Bank Plc and NatWest Markets Plc propose to use the RFTS to transfer the interest rate and foreign exchange derivatives over-the-counter business (with respect to derivative transactions that are maturing after 31 August 2018) of NatWest Bank Plc (the "**Transferring Business**") to NatWest Markets Plc. This is subject to, amongst other things, regulatory approvals and the approval of the Court of Session in Edinburgh (the "**Court**").

This booklet provides further information about how the RFTS will work, when it is expected to take effect and where you can find more information about it.

If you have live derivative transactions with us

You are receiving this booklet because we believe that any interest rate or foreign exchange derivative transactions, as well as the beneficial interest in any related security (if applicable) and collateral you have with NatWest Bank Plc may transfer to NatWest Markets Plc if the Court approves the RFTS.

Until the RFTS takes effect, you will not see any change. When the RFTS takes effect, customers with transactions transferring to NatWest Markets Plc will see a change to the legal entity they transact with. They may also need to make amendments to existing Standard Settlement Instructions ("SSIs"). We will be in contact in advance of the RFTS becoming effective to confirm any changes you may need to make.

There will be no changes to the way you communicate with us or to the services you use.

If you do not have live derivative transactions with us

You may also be receiving this booklet if you have provided security on an 'all monies' basis, which secures some or all of your liabilities to NatWest Bank Plc, including any derivative transactions entered into by you from time to time, but have no live derivative transactions which will be outstanding at 31 August 2018.

If this applies to you, NatWest Bank Plc and NatWest Markets Plc also propose to use the RFTS to transfer your derivatives agreements which have been entered into with NatWest Bank Plc to NatWest Markets Plc ("**Secured Empty Arrangements**"). Such Secured Empty Arrangements will form part of the Transferring Business, and be subject to the shared security arrangements as described in Part C below.

What is...?	
Court	The Court of Session in Edinburgh
PRA	Prudential Regulation Authority
RFTS	a court approved "Ring-fencing Transfer Scheme" under Part VII of the Financial Services and Markets Act 2000
Skilled Person	the independent person approved by the PRA to write a report on the RFTS

How can I find out more about the RFTS?

NatWest Bank Plc and NatWest Markets Plc have presented a petition to the Court for approval of the RFTS. A notice will be published in the London, Edinburgh and Belfast Gazettes. The notice will also be published in The Scotsman, and the Financial Times (UK and international editions). An announcement has also been made on the London Stock Exchange.

A document setting out the full terms of the RFTS (the "**Scheme Document**"), a summary of the principal terms of the RFTS (the "**Scheme Summary**"), the report of the Skilled Person on the RFTS and a summary of that report are all available, free of charge, on request from 250 Bishopsgate, London EC2M 4AA. These are also available on our website at www.rbs.com/ring-fencing

A supplementary report by the Skilled Person may be published on or around 20 July 2018 and will be available, free of charge, on request from 250 Bishopsgate, London EC2M 4AA and on our website at www.rbs.com/ring-fencing

When will the RFTS become effective?

The first Court hearing was held on 15 May 2018 and the final Court hearing to consider approving the RFTS is expected to be held on 31 July 2018.

If the Court approves the RFTS, we expect it will take effect on 13 August 2018 (the "**Effective Time**"). Any change to the date of the final Court hearing or to the Effective Time will be announced on our website at www.rbs.com/ring-fencing

What will be the immediate impact of the RFTS?

Until the Effective Time, the Transferring Business, including derivative transactions and related contractual arrangements (including Secured Empty Arrangements), will remain with NatWest Bank Plc. At the Effective Time, the Transferring Business will be transferred to NatWest Markets Plc. We will provide further updates to you if, and when your derivative transactions and certain related contractual arrangements transfer to NatWest Markets Plc under the RFTS.

It is expected that, as part of the RFTS, amendments will be made to the terms of certain agreements to give effect to the RFTS. These amendments are summarised in Part C.

You may continue to enter into derivative transactions with NatWest Bank Plc up until the Effective Time.

All such derivative transactions that mature after 31 August 2018, will transfer to NatWest Markets Plc under the RFTS. Any derivative transactions entered into with NatWest Bank Plc, that mature on or before 31 August 2018, will remain with NatWest Bank Plc and will not transfer to NatWest Markets Plc.

Part B

Key considerations

Accounting considerations

The transfer of some or all of your derivative transactions to NatWest Markets Plc may have implications for the regulatory and accounting treatment of those transactions. For example, the transfer of a derivative from NatWest Bank Plc to NatWest Markets Plc may be treated as a termination of the existing derivative transaction and the entry into a new transaction for accounting purposes. You may wish to consider any accounting implications, with regard to your accounting policies (such as those related to hedge accounting and Credit Valuation Adjustment (CVA)).

Credit rating of NatWest Markets Plc

As of 3 May 2018, the long term senior unsecured credit rating of NatWest Markets Plc is BBB+/Stable Outlook for Fitch, Baa2/Stable Outlook for Moody's and BBB+/Stable Outlook for S&P; this is 1 notch below the long term senior unsecured credit rating of NatWest Bank Plc assigned by Fitch, 3 notches below the long term senior unsecured credit rating of NatWest Bank Plc assigned by Moody's and we expect it will be 1 notch lower than the long term senior unsecured credit rating of NatWest Bank Plc assigned by S&P. As of 3 May 2018, NatWest Bank Plc and NatWest Markets Plc have the same rating, BBB+, and NatWest Bank Plc is on positive outlook. If you have uncollateralised derivative transactions, you may be exposed to the increased credit risk of NatWest Markets Plc as a result of your derivative transactions transferring to NatWest Markets Plc. If you think you would be adversely affected by this, you have the option to terminate any of your derivative transactions at market value or transfer the transactions to a third party, as further explained in Part C. Should you need help with this process, please email ringfencing@natwestmarkets.com

Netting

What is netting?

There are two types of netting:

- (i) Payment netting under an ISDA Master Agreement allows the parties to net amounts payable, and receivable, on the same day and in the same currency either in respect of the same transaction or two or more transactions; and
- (ii) Close-out netting under an ISDA Master Agreement is the process of calculating and netting the termination values of transactions following an Event of Default, or Termination Event, to produce a single amount payable between the parties, and this applies with respect to all transactions governed by an ISDA Master Agreement.

Which customers may be impacted by netting?

Customers may be impacted by netting if they have two or more derivative transactions (where, upon early termination, at least one derivative transaction would result in a payment to the customer and at least one derivative transaction would result in a payment to the bank) governed by the same ISDA Master Agreement and Credit Support Annex (CSA) (if applicable).

Part C

Contractual arrangements and litigation

Changes to transferring and non-transferring agreements

From the Effective Time, NatWest Markets Plc will be the entity providing your interest rate and foreign exchange derivative transactions and “we”, “us” and “our” and any references to NatWest Bank Plc, whether as “Hedging Bank”, “Hedge Counterparty”, “Calculation Agent”, “Valuation Agent”, “Party A”/“Party B” (as applicable), or “Bank” or any other term with a substantially similar meaning in the context of the Transferring Business in your existing documentation should be read as references to NatWest Markets Plc as the entity which provides the relevant derivative transaction(s).

However, the terms (including rates and fees) of the existing contractual arrangements will continue to apply to derivative transactions that have transferred to NatWest Markets Plc from NatWest Bank Plc, unless we tell you otherwise in accordance with the existing contractual terms.

Shared security

Where you have provided security which secures liabilities which will transfer to NatWest Markets Plc under the RFTS and also liabilities which will remain with NatWest Bank Plc, the security will be shared by NatWest Markets Plc and NatWest Bank Plc after the Effective Time.

Where you have provided security on an ‘all monies’ basis, which secures some, or all, of your liabilities to NatWest Bank Plc, including any derivative transactions entered into by you from time to time (which would include any new derivative transactions entered into after the Effective Time), the security will also be shared by NatWest Markets Plc and NatWest Bank Plc after the Effective Time. This also applies if you have any Secured Empty Arrangements.

In either case, under the RFTS, NatWest Bank Plc will be appointed to act as security trustee for all the shared security and will hold that security on trust for NatWest Bank Plc and NatWest Markets Plc for the payment or discharge of the relevant liabilities owed to NatWest Bank Plc or NatWest Markets Plc. To assist this sharing of security, limited amendments will be made by the RFTS to related documents.

 **See paragraph 19 of the Scheme Document for more information. this can be found at www.rbs.com/ring-fencing**

Stapled arrangements

NatWest Bank Plc is a party to certain arrangements which are so interlinked that they are said to be “stapled” (for example, loans and hedges). With effect from the Effective Time, these arrangements will be amended by the RFTS so that NatWest Markets Plc will be party to these arrangements to the extent they relate to agreements which are transferring to NatWest Markets Plc (for example, as hedging bank), and NatWest Bank Plc will remain a party to the extent they relate to agreements which are remaining with NatWest Bank Plc (for example, as lender).

 **See paragraph 20 of the Scheme Document for more information – this can be found at www.rbs.com/ring-fencing**

Impact on contractual arrangements and litigation

Deposit Withdrawal Undertaking

The information in this section will only be relevant to you if you have existing deposits with NatWest Markets Plc and derivatives which transfer under the RFTS.

Once the RFTS has taken effect, your derivative transactions and deposits will be within the same regulated bank. NatWest Markets Plc may legally be able to apply set-off rights to these products, as they will then be in the same legal entity. A set off right is the right of a bank, in certain circumstances, to use money you have deposited with it against a debt you also have with that bank that becomes repayable.

NatWest Markets Plc will undertake not to exercise these set-off rights for a period of three months after the Effective Time if these rights arise solely as a result of the RFTS.

If this applies to you, you will be entitled to withdraw affected deposit accounts without loss of interest or charge, at any time from the date of the final Court hearing until the date that is three months after the Effective Time, and we can help you find a suitable alternative account.

If you would like to know more or have any questions, please email ringfencing@natwestmarkets.com

Impact on Litigation customers

The RFTS will also transfer to NatWest Markets Plc legal proceedings (including litigation) in England and Wales and Scotland (the “**Proceedings**”) relating to (i) any derivative transactions that transfer to NatWest Markets Plc pursuant to the RFTS and (ii) any legacy derivative transactions entered into with NatWest Bank Plc that have since matured or been terminated. The Proceedings will be transferred to NatWest Markets Plc irrespective of whether NatWest Bank Plc is a respondent or a claimant in the Proceedings.

If you are a party to any Proceedings, with effect from the Effective Time, the other party to the Proceedings will become NatWest Markets Plc.

Legal proceedings (including litigation) which are related to Eligible Derivatives where Opt-Out Rights have been exercised will remain with NatWest Bank Plc.

If you would like to know more or have any questions, please email ringfencing@natwestmarkets.com

Tax

If you are in any doubt as to whether there is any tax, or other impact, on you as a result of the RFTS, please discuss such matters with your advisers.

How to terminate derivatives master agreements with no live derivative transactions

If you do not have any live derivative transactions in place as at the date you receive this booklet and do not anticipate entering into any new derivative transactions going forward, please email ringfencing@natwestmarkets.com for help with terminating your derivatives master agreement.

How to terminate existing live derivative transactions or transfer them to a third party

If you think you would be adversely affected as a result of the RFTS and do not wish for your derivative transactions to transfer to NatWest Markets Plc, you also have the option to terminate any of your derivative transactions at market value. You also have the right to transfer your derivative transactions to a third party who is willing to step into the transactions. In the event that you wish to do so, we will provide a standard form novation document to facilitate this process.

If you would like help with this process, please contact ringfencing@natwestmarkets.com



Part D

What happens next?

What happens if the Court does not approve the RFTS?

We will contact you after the final Court hearing has taken place. You can keep up to date on developments on our website at www.rbs.com/ring-fencing

What happens if you have other agreements with the RBS Group?

You may have been, or may be, contacted by us separately in relation to changes to other agreements you have with the RBS group. If so, the impact of the RFTS on those specific products or services, along with the action you need to take, will be explained to you as part of that communication. Please note this is separate from the RFTS summarised in this booklet. If you are impacted by these separate changes then, until such time as they become effective, the daily operation and support for your business continues unaffected and you may continue to deal, and conduct business, with your local RBS teams as at present.

Ways to make your views known to the Court

If you think you would be adversely affected by the carrying out of the RFTS, you have two alternative ways of making sure the Court considers your views:

1. Lodging formal objections with the Court

You have the right to lodge formal written objections (known as Answers) with the Court. If you wish to lodge Answers, you should seek independent legal advice. Answers are a formal Court document which must comply with the rules of the Court and are normally prepared by Scottish legal counsel. Answers must be lodged with the Court at Parliament House, Parliament Square, Edinburgh EH1 1RQ, within 42 days of the publication of the last of the notices relating to the RFTS, which is expected to be on or around 18 May 2018. The deadline for lodging Answers is 29 June 2018. In addition, Answers must be accompanied by a fee to the Court.

2. In writing or in person

The Court will also consider any other informal objections to the RFTS which are made in writing or in person at the hearing to consider approving the RFTS.

If you wish to object in writing or in person at that hearing, you need to send a written statement of your views to **all** of the following:

- a) the Court, by post or by hand to the above address
- b) National Westminster Bank Plc, either
 - (i) by post or by hand to 250 Bishopsgate, London, EC2M 4AA; or
 - (ii) by email to ringfencing@natwestmarkets.com; and

C) the Prudential Regulation Authority, either:

- (i) by post or by hand to National Westminster Bank, Prudential Regulation Authority, Bank of England, Threadneedle Street, London EC2R 8AH; or
- (ii) by submitting it online at:

www.bankofengland.co.uk/pru/Pages/authorisations/structuralreform/representations.aspx

If you do not do this by 17.00 UK time on 11 July 2018, the Court may not consider your objection at the hearing to consider approving the RFTS. No fee is payable to the Court for objecting in this way.

The Court is also likely to consider any objections made in writing or in person at the hearing to consider approving the RFTS, although it might not do so if you have not followed the process for objecting described above.

We will contact you after that Court hearing has taken place to update you.

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