

SCHEME SUMMARY

PART ONE – OVERVIEW

1 Introduction

- 1.1 It is proposed that part of the business of NatWest Markets Plc (“**NWM Plc**”) in respect of EEA Counterparties (as defined below) is transferred to NatWest Markets NV (“**NWM NV**”).
- 1.2 It is expected that the first phase of the proposed Scheme (as defined below) will take effect on ~~28 February~~ 22 March 2019. The effective time of the Scheme is explained in paragraph 3.2 below.
- 1.3 A statutory transfer scheme, namely a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (the “**Scheme**”), is to be used to achieve the transfer. In outline, the Scheme provides a mechanism to replicate certain assets and liabilities at Phase 1 of the Scheme and transfer the business (including assets and liabilities comprised within that business) at Phase 2 of the Scheme, without any further legal steps being required and as explained in more detail in Part Two of this Scheme Summary.
- 1.4 The terms of the Scheme are set out in a document (the “**Scheme Document**”) which has been submitted to the Court of Session in Scotland (the “**Court**”) for approval, as explained in paragraph 3 below.
- 1.5 This Scheme Summary summarises the principal terms of the Scheme. Definitions used in this Scheme Summary have the meanings given in the Scheme Document, unless otherwise specified.

2 Transfers under the Scheme

The Scheme will replicate certain trading agreements in respect of, and transfer part of, the business of NWM Plc in respect of EEA Counterparties (the “**Transferring Business**”). The Transferring Business is described in more detail in the Scheme Document.

In outline, the Transferring Business comprises the banking and markets business (including deposit taking) carried on by NWM Plc in respect of EEA customers, but excludes certain assets and liabilities (“**Excluded Assets**” and “**Excluded Liabilities**” respectively), as explained further in Part Two of this Scheme Summary.

3 Timing of the Scheme

- 3.1 Implementation of the Scheme is subject, among other matters, to regulatory and Court approvals (including the approval of De Nederlandsche Bank (the “**DNB**”)). The petition to the Court for an order approving the Scheme (the “**Petition**”) is currently expected to be heard by the Court at a hearing on 22 February 2019 (the “**Sanction Hearing**”).
- 3.2 If the Court approves the Scheme, Phase 1 of the Scheme is expected to become effective on ~~28 February 2019~~ the later of 22 March 2019 and the business day following the satisfaction of the condition referred to in paragraph 4 of Part Two of this Scheme Summary (the “**Phase 1 Effective Time**”). Phase 2 of the Scheme is

expected to become effective at such time(s) and on such date(s) between ~~4-23~~ March 2019 and 31 December 2019, in all cases being a date following the Phase 1 Effective Time and as notified in writing by the Transferor to the relevant counterparty not less than ten business days prior to the relevant date (the “**Relevant Phase 2 Effective Time**”), save that the Transferor may give less than ten business days’ notice to the relevant counterparty if the Relevant Phase 2 Effective Time is on a date on or before ~~15 March~~ 5 April 2019. In each case, the Phase 1 Effective Time and latest Relevant Phase 2 Effective Time may be on such later date as is agreed in writing between NWM Plc and NWM NV, with the Court’s consent.

- 3.3** The transfers of some assets and liabilities within the Transferring Business will not take place on the Phase 1 Effective Time or Relevant Phase 2 Effective Time because their transfer will require additional actions to be taken. Those assets and liabilities will, therefore, transfer at a later date (a “**Subsequent Transfer Date**”), once the necessary steps have been completed. This is explained in more detail in Part Two of this Scheme Summary.
- 3.4** The time and date on which an asset or liability of NWM Plc replicates with or transfers to NWM NV under the Scheme (being either the Phase 1 Effective Time, Phase 2 Effective Time or a Subsequent Transfer Date, as explained in Part Two of this Scheme Summary) is referred to in the Scheme Document as the “**Relevant Date**”.

4 Further information

- 4.1** The information in this Scheme Summary is intended to be only a summary of the principal terms of the Scheme. Copies of the Petition, the full terms of the Scheme Document and this Scheme Summary are available, free of charge, at natwestmarkets.com/brexit or on request from NWM Plc at 250 Bishopsgate, London, EC2M 4AA. All of those documents will be available until the Sanction Hearing. As stated above, that date is currently expected to be 22 February 2019.
- 4.2** NWM Plc will publish a series of notices in relation to the Petition. They are expected to be published in *The London Gazette*, *The Edinburgh Gazette* and *The Belfast Gazette*, the *Financial Times* (including the international editions) and *The Scotsman*.
- 4.3** Any person who considers that they would be adversely affected by the carrying out of the Scheme has two ways of bringing their views to the attention of the Court:
- 4.3.1** The Court is likely to consider any objections to the Scheme, which are made in writing, or in person, to the Court prior to or at the final hearing to sanction the Scheme. Any objections made in writing to the Court should be sent to the Court of Session, Parliament House, Parliament Square, Edinburgh, EH1 1RQ. No fee is payable for making such objections.
- 4.3.2** Formal written objections (known as “**Answers**”) to the Petition may be lodged with the Court. If any person wishes to lodge Answers, they 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 these notices, which is expected to be on or around 14 December 2018. The deadline for lodging Answers would then be 25 January 2019. In addition, Answers must be accompanied by payment of a fee to the Court.

5 Change of date for the Sanction Hearing

As referred to above, the Sanction Hearing is currently expected to take place on 22 February 2019. If this date is changed for any reason, an announcement will be made on the website at natwestmarkets.com/brexit.

PART TWO – PARTICULARS OF THE SCHEME

1 The Transferring Business

- 1.1** The Transferring Business is the part of the banking and markets business carried on by NWM Plc in respect of EEA Counterparties, including all arrangements with those EEA Counterparties which NWM Plc reasonably considers necessary to transfer to NWM NV in order to comply with applicable regulatory requirements in the EEA and which are marked as such on the Transferor's systems immediately prior to the Relevant Phase 2 Effective Time.
- 1.2** For the purposes of this Scheme Summary, "**EEA Counterparty**" means a counterparty to an arrangement with NWM Plc that is marked as an EEA counterparty on NWM Plc's systems immediately prior to the Relevant Phase 1 Effective Time and who has been notified that they are or will be an EEA counterparty for the purposes of the Scheme.
- 1.3** Subject to paragraph 1.4 below, with effect from the Phase 1 Effective Time, the Scheme shall replicate certain agreements ("**Replicated Arrangements**") with EEA Counterparties including:
- 1.3.1** ISDA Master Agreements, certain French and German law governed master agreements (together with the ISDA Master Agreements, the "**Master Agreements**") and Title Transfer Collateral Arrangements, save for (i) any such Master Agreements (the "**Structured Finance Master Agreements**") and Title Transfer Collateral Arrangements (the "**Structured Finance TTCAs**") in respect of structured financing arrangements and (ii) any such Master Agreements (the "**Phase 2 Master Agreements**") and Title Transfer Collateral Arrangements (the "**Phase 2 TTCAs**") that specify (or in the case of a Phase 2 Master Agreement, that are subject to a Phase 2 TTCA that specifies) an "independent amount" that is a specified numerical amount greater than zero and that is not determined by reference to a formula that is linked to one or more transactions that forms part of the relevant master agreement;
 - 1.3.2** general terms of business;
 - 1.3.3** global master repurchase agreements (a "**GMRA**");
 - 1.3.4** cleared derivatives execution agreements (other than cleared derivatives execution agreements relating to the Phase 2 Master Agreements);
 - 1.3.5** global master securities lending agreements ("**Stock Lending Agreements**");
 - 1.3.6** exchange traded derivative agreements;
 - 1.3.7** exchange traded derivative pledge agreements;
 - 1.3.8** foreign exchange prime brokerage agreements;
 - 1.3.9** foreign exchange prime brokerage voice broking agreements;
 - 1.3.10** platform clearing agreements;

- 1.3.11 master give-up agreements;
 - 1.3.12 E-Trading terms of business;
 - 1.3.13 deposit netting agreements; and
 - 1.3.14 certain ancillary documents in respect of the agreements referred to above (other than the Structured Finance Master Agreements, the Structured Finance TTCAs, the Phase 2 Master Agreements and the Phase 2 TTCAs).
- 1.4 No Replicated Arrangements referred to in paragraph 1.3 above shall be created under the Scheme in respect of arrangements between NWM Plc and an EEA Counterparty where NWM NV has entered into an equivalent arrangement with the relevant EEA Counterparty on or after 1 December 2018.
- 1.5 With effect from the Phase 1 Effective Time, deposits of one or more affiliates of NWM Plc shall transfer and vest in NWM NV.
- 1.6 With effect from the Relevant Phase 2 Effective Time for the relevant EEA Counterparty, the Scheme shall replicate the Phase 2 Master Agreements and the ancillary documents in respect of the Phase 2 Master Agreements and the Phase 2 TTCAs, save that no such replicated arrangements shall be created under the Scheme in respect of arrangements between NWM Plc and an EEA Counterparty where NWM NV has entered into an equivalent arrangement with the relevant EEA Counterparty on or after 1 December 2018.
- 1.7 With effect from the Relevant Phase 2 Effective Time, the Transferring Business (including the Phase 2 TTCAs) shall transfer and vest in NWM NV.
- 1.8 Arrangements between NWM Plc and a counterparty will not transfer to NWM NV if they comprise “**Excluded Transactions**”, “**Excluded Assets**” or “**Excluded Liabilities**” (each as defined below).

2 Specific Provisions in respect of Replicated Arrangements

- 2.1 Any “**Transferring Transaction**”, being any Transaction which, prior to the Relevant Phase 2 Effective Date, is governed by an original arrangement referred to in paragraphs 1.3.1 to 1.3.14 above between NWM Plc and an EEA Counterparty and which is within the Transferring Business, shall be governed by the corresponding Replicated Arrangement (and transferred Phase 2 TTCA, as applicable) with NWM NV with effect from the Relevant Phase 2 Effective Time.
- 2.2 All confirmations in respect of any Transferring Transactions shall be governed by the corresponding Replicated Arrangement (and transferred Phase 2 TTCA, as applicable) with NWM NV and, where applicable, shall supplement and form part of such Replicated Arrangement (and transferred Phase 2 TTCA, as applicable), in each case, with effect from the Relevant Phase 2 Effective Time.
- 2.3 Any standalone derivative terms of NWM Plc, ISDA long-form confirmations or E-Trading long-form confirmations between NWM Plc and an EEA Counterparty which govern Transferring Transactions shall transfer to NWM NV with effect from the Relevant Phase 2 Effective Time.

3 Excluded Transactions, Excluded Assets and Excluded Liabilities

3.1 “Excluded Transactions”, which include:

- 3.1.1 any over-the-counter derivative transactions, exchange traded derivative transactions, repurchase transactions or securities lending transactions between NWM Plc and an EEA Counterparty (“**Transactions**”), maturing on or prior to 11 March 2019;
- 3.1.2 any transactions in respect of ‘Capital Resolution’ customers excluding any “**In-Scope Loans**”, being any committed but not fully drawn loans from NWM plc to an EEA Counterparty (save for excluded structured finance arrangements);
- 3.1.3 certain transactions with prime brokerage counterparties;
- 3.1.4 exchange traded derivative transactions;
- 3.1.5 Transactions between NWM Plc and a counterparty that is a special purpose vehicle established in contemplation of a structured financing transaction which were entered into in order to hedge risk relating to financial assets (“**Structured Finance Transactions**”);
- 3.1.6 Transactions (that are expressed to relate to a Structured Finance Transaction) between NWM Plc and a counterparty that is the originator or sponsor of a structured financing transaction and which are designed to hedge NWM Plc’s risk in relation to the relevant Structured Finance Transaction or under which the relevant sponsor or originator indemnifies NWM Plc in respect of shortfalls in payments due to be made to NWM Plc under the relevant Structured Finance Transaction; or
- 3.1.7 any Transactions marked as an “Excluded Transaction” on NWM Plc’s systems immediately prior to the Phase 1 Effective Time, including transactions between NWM Plc and:
 - (i) any Luxembourg counterparties;
 - (ii) any Irish counterparties (excluding former customers of Ulster Bank);
 - (iii) “**Corporate**” and “**Sovereign**” customers (excluding those in Sweden, former customers of Ulster Bank, In-Scope Loans or those corporate customers subject to a clearing obligation pursuant to Article 10(1)(b) of EMIR in respect of one or more transactions);
 - (iv) certain other specified customers who are marked on NWM Plc’s systems as excluded immediately prior to the Phase 1 Effective Time (excluding any In-Scope Loans);
 - (v) liquidity providers.

3.2 “Excluded Assets” and “Excluded Liabilities” include assets, and liabilities, of the Transferring Business that would otherwise transfer under the Scheme, but which have been specifically excluded from transferring for legal, tax or other commercial reasons.

- 3.3** Excluded Assets and Excluded Liabilities include:
- 3.3.1** any arrangement in respect of financial market infrastructure (including any membership of or participation in any financial market infrastructure);
 - 3.3.2** any arrangement which NWM Plc holds on trust for NatWest Markets Secured Funding LLP;
 - 3.3.3** any capacity, role or function of NWM Plc in connection with structured finance transactions;
 - 3.3.4** any security which secures the liabilities of a counterparty which are transferring to NWM NV and the liabilities of that counterparty which will remain with NWM Plc (“**Shared Security**”, as explained in paragraph 7 below);
 - 3.3.5** all intra-group agreements between members of the RBS Group (excluding any agreements in respect of the deposits referred to at paragraph 1.5 above);
 - 3.3.6** any arrangement which between NWM Plc and an EEA Counterparty scheduled to terminate, mature or redeem in full on or prior to the fifth business day following the Relevant Phase 2 Effective Time; and
 - 3.3.7** any payment obligation between NWM Plc and an EEA Counterparty which is due on or prior to the fifth business day following the Relevant Phase 2 Effective Time; and
 - 3.3.8** any arrangement in respect of NWM Plc’s trade finance business.
- 3.4** The full list of Excluded Transactions, Excluded Assets and Excluded Liabilities can be found in the definitions in the Scheme Document of “Excluded Transactions”, “Excluded Assets” and “Excluded Liabilities”.

4 Residual Assets and Residual Liabilities

- 4.1** It is expected that most of the assets and liabilities which together comprise the Transferring Business will be transferred to NWM NV at the Relevant Phase 2 Effective Time.
- 4.2** However, the Scheme also provides for assets and liabilities which form part of the Transferring Business and which, for some reason, cannot be transferred to NWM NV at the Relevant Phase 2 Effective Time, to be transferred later on a Subsequent Transfer Date.
- 4.3** The reasons why assets and liabilities may not be able to be transferred at the Relevant Phase 2 Effective Time include where: (i) the Court declines to order their transfer at the Relevant Phase 2 Effective Time; (ii) ownership cannot transfer under the relevant governing law, at least without additional steps; (iii) the parties agree not to transfer them at the Relevant Phase 2 Effective Time; or (iv) NWM NV does not have the requisite regulatory authorisation, permission or other consent to hold the transferring asset or liability as at the Relevant Phase 2 Effective Time.
- 4.4** The Subsequent Transfer Date will be when:
- 4.4.1** the impediment to their transfer has been removed;

4.4.2 NWM Plc and NWM NV determine that such assets and liabilities should be transferred; or

4.4.3 as otherwise set out in the definition of "Subsequent Transfer Date" in the Scheme Document.

4.5 The Residual Assets and Residual Liabilities are described in more detail in their respective definitions in the Scheme Document. Until the relevant Subsequent Transfer Date, NWM Plc will hold certain Residual Assets in trust for NWM NV, to the extent permissible under relevant law and under the Scheme, which will provide NWM NV with the economic benefit of such Residual Assets. Residual Assets which will not be held in trust for NWM NV include any Residual Assets where the local governing law does not recognise the effectiveness and enforceability of the Scheme.

5 Restrictions on NWM Plc and NWM NV

5.1 The transfer of the Transferring Business, under the Scheme, might result in NWM NV having certain rights in respect of the Transferring Business that NWM Plc did not have prior to the Relevant Date. Where the exercise of such rights might prejudice counterparties, NWM NV has given certain undertakings in the Scheme not to exercise those rights in order to mitigate any potential prejudice. Those undertakings are contained in Part C of the Scheme Document, but are summarised as follows:

5.1.1 Prior to the Effective Time, NWM Plc and NWM NV may each have certain contractual set-off rights, and rights in security, in relation to deposits, loans or credit instruments they provide. However, the carrying out of the Scheme might widen such rights and/or result in additional contractual set-off rights and rights in security arising to the benefit of NWM NV. Consequently, the set-off, or security, position of NWM NV as against an affected client could, but for the undertakings described below, result in a "wind-fall" gain to the detriment of the relevant counterparty.

5.1.2 To prevent such prejudice, NWM NV will not exercise those rights, to the extent they have been widened or where they have arisen solely as a consequence of the carrying out of the Scheme. In the case of set-off, this restriction is limited to three months from the Relevant Date, and in the case of all monies, consolidation and cross-default rights, this restriction is not limited in time.

5.1.3 These undertakings will not apply where the agreements containing those rights are subsequently amended in accordance with their terms or replaced with the consent of the other parties to those agreements.

5.1.4 During the period from the Sanction Hearing to the date that is three months after the Relevant Date, depositors who are affected by the widening of NWM NV's set-off rights will be at liberty to move their deposits should they wish to do so without charge (i.e. without loss of accrued interest, charges or the requirement to give a specified period of notice).

6 Preservation of Rights

The transfer of the Transferring Business might result in counterparties to certain agreements with NWM Plc being able to exercise certain rights in the event that NWM NV has a lower credit rating (as compared to the credit rating of NWM Plc). Where these rights (which may include termination rights, or a right to require certain mitigating actions to be taken) are exercisable as a result of a transfer to an entity with a lower credit rating, those rights will remain exercisable by the counterparty. This is provided for in paragraph 15.2 of the Scheme Document.

7 Amendments to transferring and non-transferring agreements

The Scheme is to provide for certain amendments to the terms and conditions of certain agreements. These amendments are to expressly give effect to the Scheme (for example substituting “NatWest Markets NV” as the contracting party instead of “NatWest Markets Plc”), to avoid nonsensical or untrue clauses or representations in agreements arising as a result of the transfer, to comply with any legal or regulatory requirements in the Netherlands and to mitigate potential adverse effects.

In order to facilitate this, certain amendments to related documents will be made. These are set out in paragraph 7 and Part D of the Scheme Document and include those explained further below.

7.1 Shared Security

Where security has been provided which will, from the Phase 1 Effective Time or Relevant Phase 2 Effective Time (as applicable), secure the liabilities of a counterparty which may transfer Transactions to or enter into Transactions with NWM NV under the Scheme and the liabilities of that counterparty which will remain with NWM Plc, NWM Plc will be appointed to act as security trustee in respect of all such shared security (to the extent such shared security is not the subject of another intercreditor agreement) and will hold it all on trust for, and on behalf of, (a) NWM NV for the payment, or discharge, of the liabilities transferring to NWM NV and (b) NWM Plc for the payment, or discharge, of the liabilities remaining with NWM Plc.

7.2 Terms and Conditions

Consequential amendments will be made to all contracts and ancillary documents being transferred or replicated under the Scheme to reflect the change of contracting party and/or to otherwise provide for service from a Dutch Bank, rather than a UK bank, including updates to applicable laws and regulations, registered office, service agent, contact details (among other matters).

8 Title Transfer Collateral Arrangements

8.1 Where collateral has been transferred by or to NWM Plc under a Title Transfer Collateral Arrangement in place with an EEA Counterparty, with effect from the Relevant Phase 2 Effective Time, NWM Plc’s rights and obligations in respect of the return of such collateral shall transfer to NWM NV with the effect that the “credit support balance” (howsoever described) under the relevant Title Transfer Collateral Arrangement will transfer from NWM Plc to NWM NV and will increase

the relevant credit support balance under the corresponding replicated Title Transfer Collateral Arrangement with NWM NV.

- 8.2** With effect from the Relevant Phase 2 Effective Time, where any margin or collateral in respect of a GMRA or Stock Lending Agreement is transferred to or held by NWM Plc or the relevant EEA Counterparty as at the time immediately prior to the Relevant Phase 2 Effective Time, NWM Plc's rights and obligations in respect of the return of such margin or collateral shall transfer to NWM NV with the effect that such margin or collateral is considered to have been transferred to or received by NWM NV or the relevant EEA Counterparty, respectively, under the corresponding replicated GMRA or Stock Lending Agreement with NWM NV.
- 8.3** Detailed provisions in respect of the treatment of collateral can be found in paragraph 8 of the Scheme Document.

9 Wrong Pockets

- 9.1** The Scheme provides a mechanism which will apply if, before 31st December 2019 or any later date which the Court may approve, NWM Plc is not permitted to undertake any transaction, or arrangement. In that event, NWM Plc and NWM NV may agree that the transaction will be transferred to NWM NV, and the arrangement replicated in its favour, with effect from a date of which the counterparty is given certain notice ~~and~~ which is no later than 30th January 2020, and provided that the relevant EEA Counterparty either (i) informs NWM Plc that they do not object to the transfer of the relevant transaction; or (ii) has not, within 28 days of the date of such written notice, informed NWM Plc that they object to such transfer.
- 9.2** In addition, the Scheme provides a similar mechanism which will apply if, before 31st December 2019 or any later date which the Court may approve, NWM NV is not permitted to undertake any transaction, or arrangement, which was transferred to it under the Scheme, or was replicated in its favour (including any transaction or arrangement which it enters into under a Replicated Arrangement). In that event, NWM Plc and NWM NV may agree that the transaction will be transferred back to NWM Plc, with effect from a date of which the counterparty is given certain notice and which is no later than 30th January 2020.

PART THREE – GENERAL PROVISIONS

1 Rights under agreements

In general, and with effect from the Relevant Date, NWM NV and the Counterparty shall become entitled to the same rights, benefits, powers and remedies and shall be subject to the same liabilities against each other as were applicable to NWM Plc and that Counterparty against each other immediately prior to their transfer under the Scheme.

However, certain agreements will be amended further under the Scheme, as already described in Part Two of this Scheme Summary.

2 Legal proceedings

2.1 Any legal proceedings before any court, tribunal or arbitration panel to which NWM Plc is a party and which relate to assets and/or liabilities that have transferred to NWM NV, other than certain exclusions (the “**Proceedings**”) shall, unless NWM Plc and NWM NV otherwise agree in writing before the Relevant Phase 2 Effective Time, be continued by, against or with NWM NV (instead of NWM Plc). NWM NV shall be entitled to all remedies, defences, claims, counterclaims, defences to counterclaims and rights of set-off that were or would have been available to NWM Plc in relation to those Proceedings.

2.2 Further detail of the relevant legal proceedings provisions can be found at paragraph 13 of the Scheme Document.

3 Variations

Prior to the Court approving the Scheme, NWM Plc and NWM NV may together consent, for and on behalf of themselves and all other persons concerned (other than the PRA, FCA and DNB) to any modification of, or addition to, this Scheme or to any further condition or provision affecting the same which, prior to the sanction of this Scheme, the Court may approve or impose. Such a variation is subject to each of the PRA, the FCA and the DNB having been given prior and reasonable notice of the variation.

At any time after the approval of the Scheme by the Court, NWM NV may apply to the Court for consent to amend the terms of this Scheme, provided notice has been given to the PRA, the FCA and the DNB. The PRA, FCA and DNB will have a right to be heard by the Court on any application to amend the Scheme.

4 Condition Precedent

The Scheme is conditional upon NWM NV satisfying all requirements under its financial regulatory authorisation, including satisfaction of any conditions required by the DNB (to the DNB’s satisfaction), in order to carry on the Transferring Business from the Phase 1 Effective Time. The Scheme shall lapse if this condition has not been satisfied on or before 29 March 2019 (or such later date as the NWM NV may agree with the DNB in writing and with the Court’s consent).

5 **4Governing Law**

The Scheme is governed by, and will be construed in accordance with, Scots law.