
FY 2017 Results

23 February 2018

Howard Davies

Chairman

Ross McEwan

Chief Executive Officer

Key messages

Strategic plan is working – £2.2bn operating profit before tax and first full year attributable profit in ten years

Costs down, income up, capital position stronger, growing in target markets and colleague engagement is highest in ten years

Responding to industry change, investing to be less complex, more automated and innovative

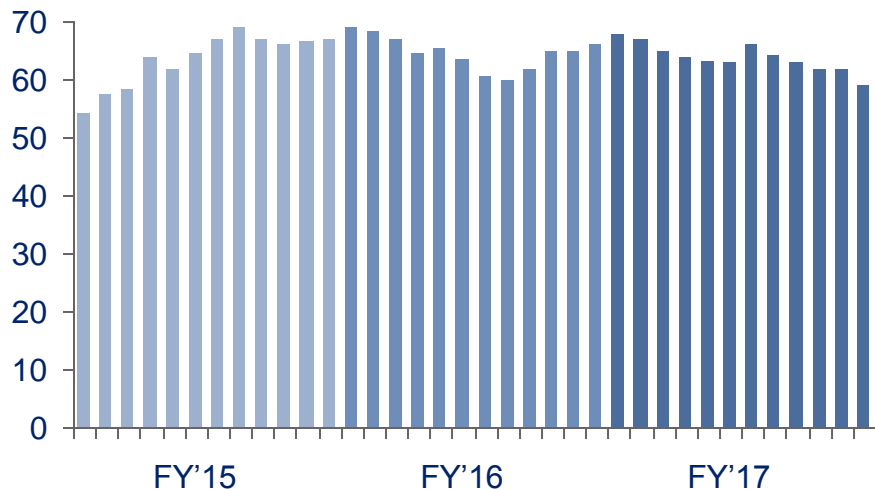
Costs will reduce versus 2017, but the rate of cost reduction will be materially lower than in 2017 due to investment and innovation spend

Reaffirming 2020 targets 12%+ RoE and <50% cost:income

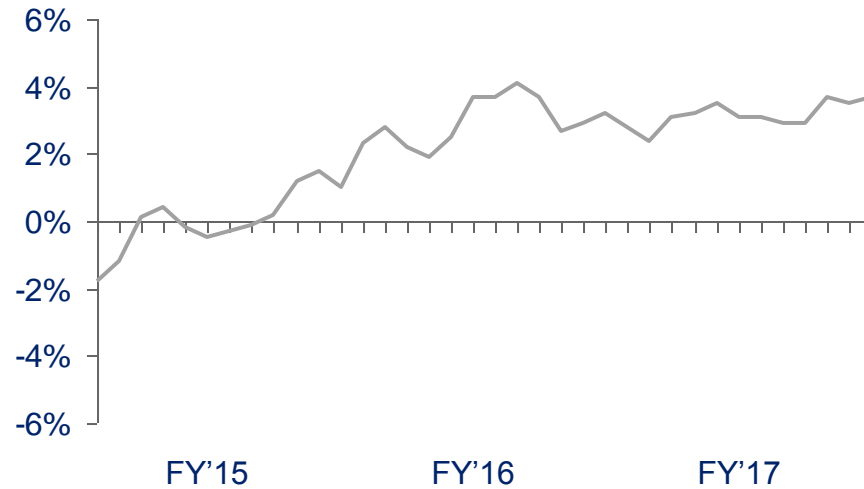
Investment case is clearer and the prospect of shareholder returns is getting closer

Our performance reflects the economies we serve

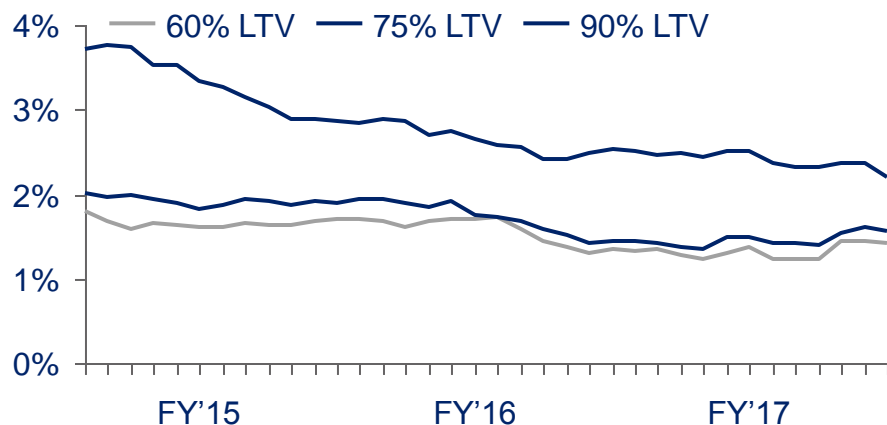
Mortgage approvals - monthly ('000)⁽¹⁾



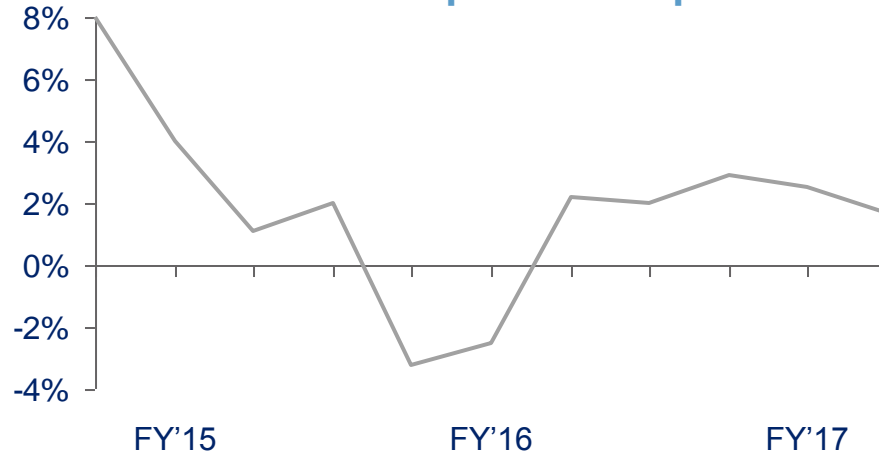
Year-on-year change in business lending⁽³⁾



Average market interest rate (2 year fixed)⁽²⁾



Business investment quarter-on-quarter⁽⁴⁾

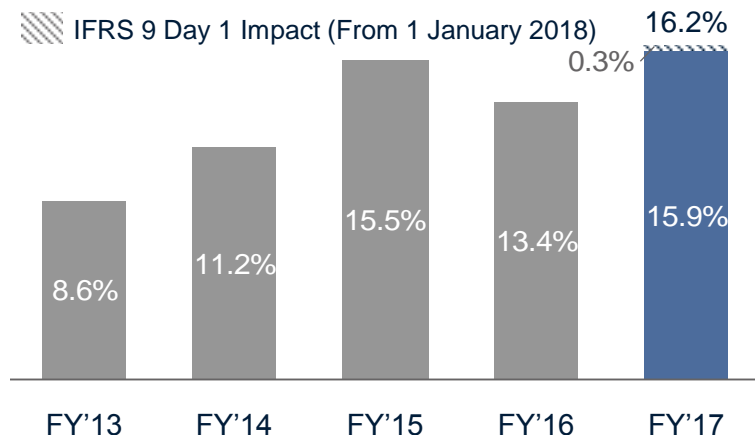


(1) Monthly number of monetary financial institutions sterling approvals for house purchase to individuals seasonally adjusted (2) Monthly interest rate of UK monetary financial institutions (excl. Central Bank) sterling 2 year (60% , 75%, 90% LTV) fixed rate mortgage to households not seasonally adjusted (3) Monthly 12 month growth rate of monetary financial institutions' sterling net lending to private non-financial corporations seasonally adjusted (4) Chained-volume measure. Data are adjusted for the transfer of nuclear reactors from the public corporation sector to central government in 2005 Q2. 2017 Q3 is Bank of England projection.

Strategic plan continues to deliver a better financial performance

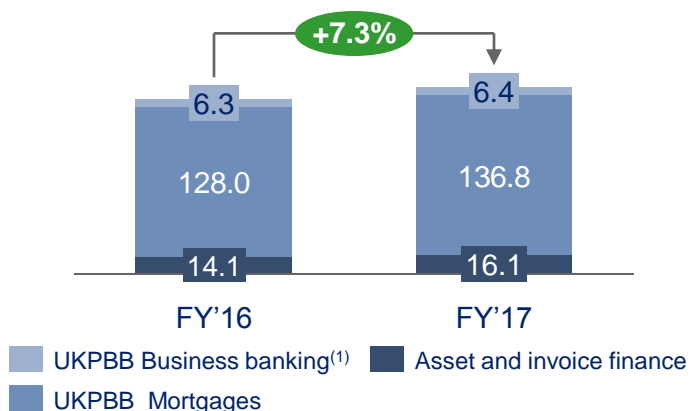
Robust capital strength

Common Equity Tier 1 Ratio



Growth in key markets

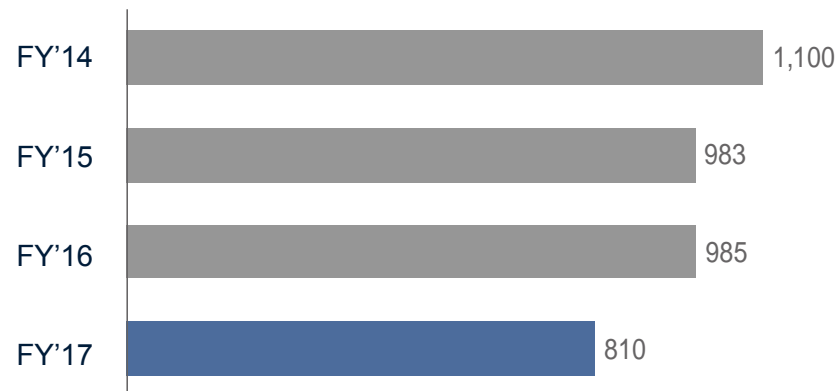
Loans and advances to customers by segment (£bn)



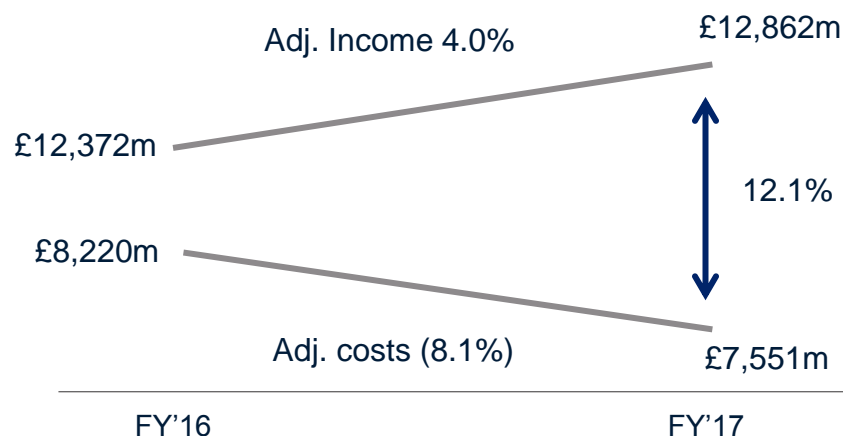
(1) Excluding transfers

Strong record on cost reduction

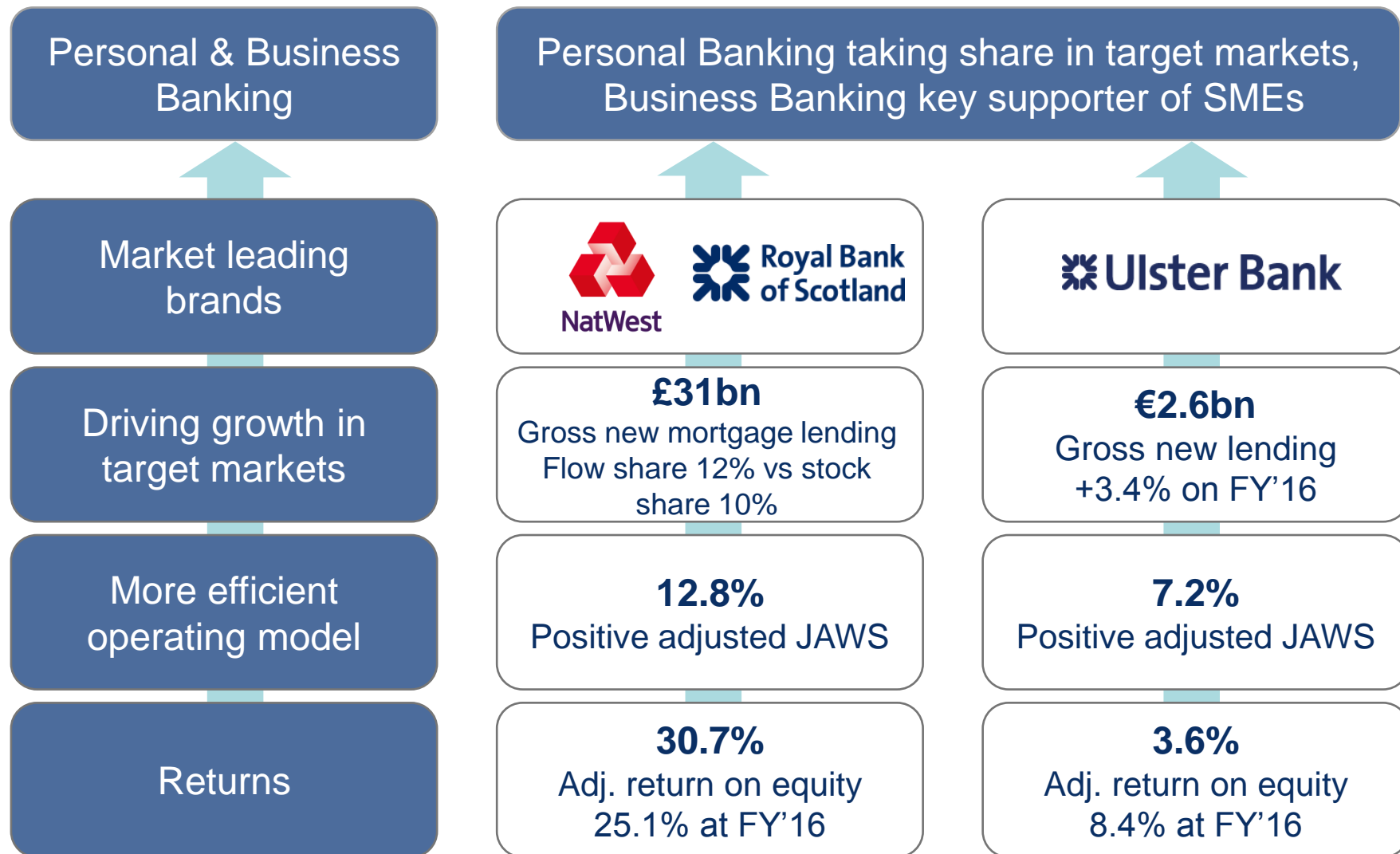
FY cost reduction (£m)



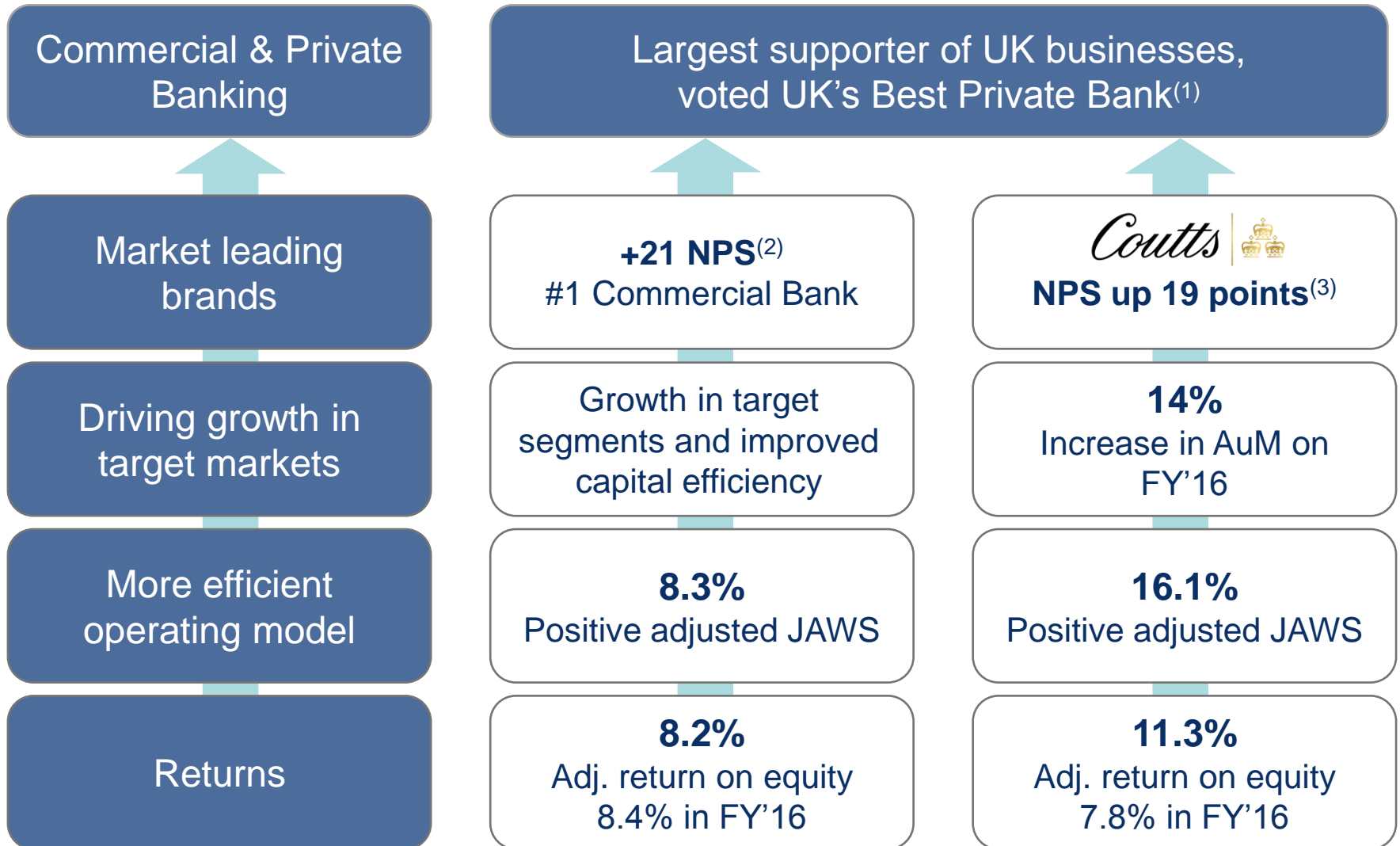
Driving positive adjusted operating JAWS



Personal & Business Banking: Supporting customers in the UK and Republic of Ireland

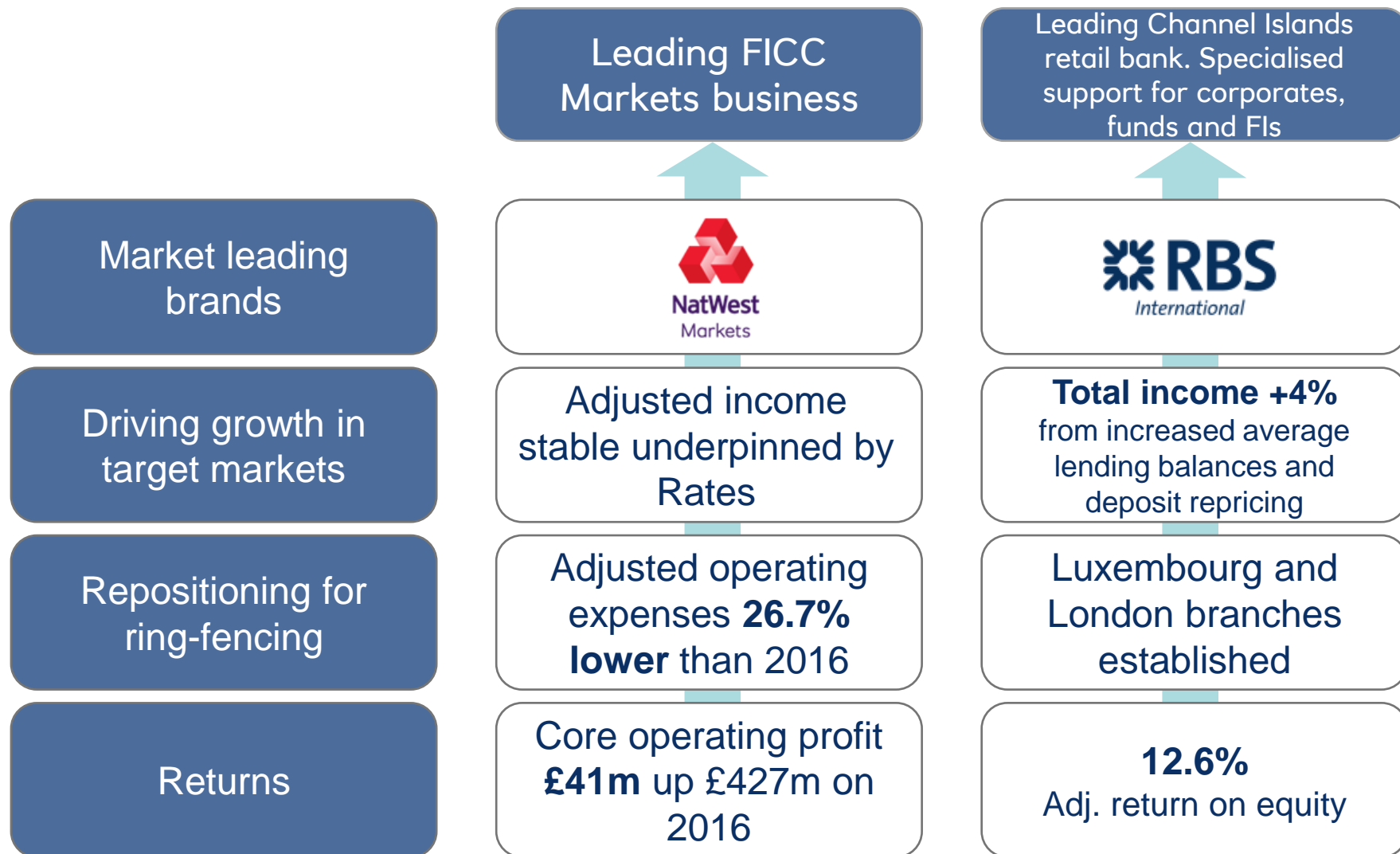


Commercial & Private Banking: Leading supporter of UK businesses and award winning private bank



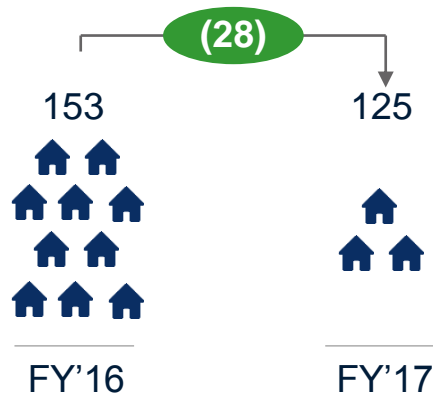
(1) Global Private Banking awards 2017 (2) Source: Charterhouse Research Business Banking Survey, YE Q4 2017. Commercial £2m+ in GB (RBSG sample size, excluding don't knows: 904). Question: "How likely would you be to recommend (bank)". Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain. (3) Source: Wealth X. Nov 2017 (aggregate 3 months data . Base 1180.)

NatWest Markets and RBSI: Good customer activity as we continue to reshape the businesses

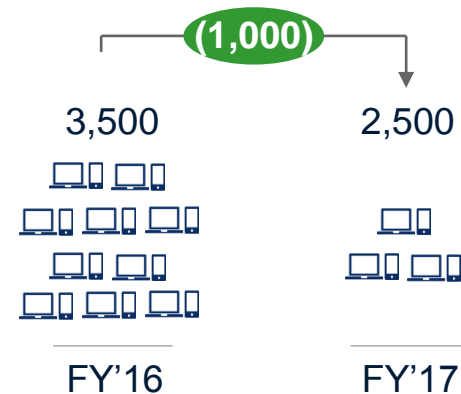


We simplified the bank further in 2017, and we have highest colleague engagement in ten years

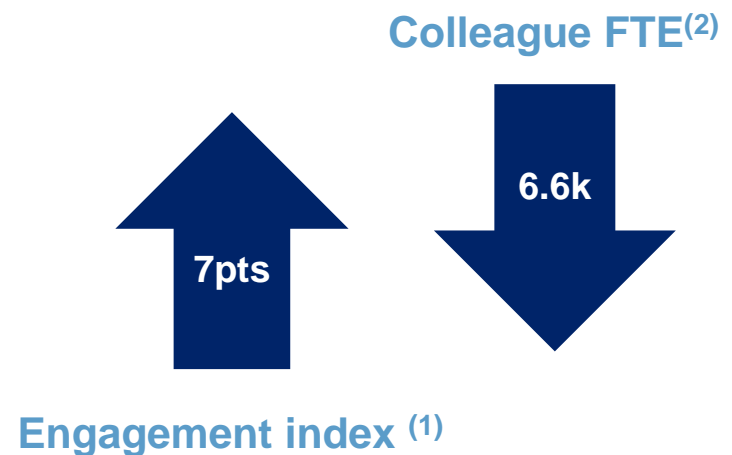
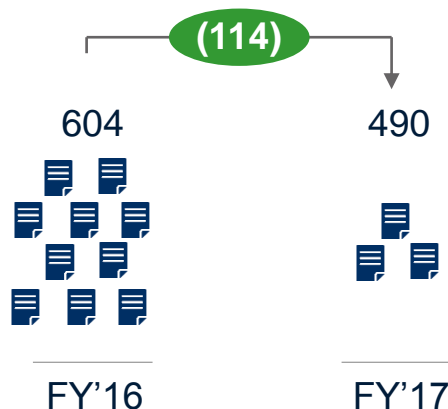
Non-branch property portfolio



Systems and applications



Subsidiary Companies

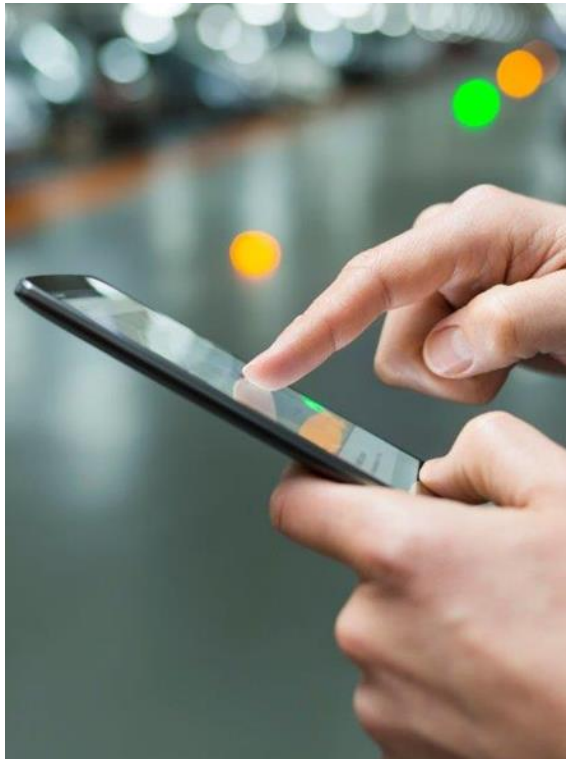


Three pillars of our digital and innovation strategy. High tech and High touch

Safe and Secure



Simplified and
Automated



Innovative



Customer focused and digitally enabled

Three pillars of our digital and innovation strategy. High tech and High touch

Safe and Secure



Simplified and
Automated



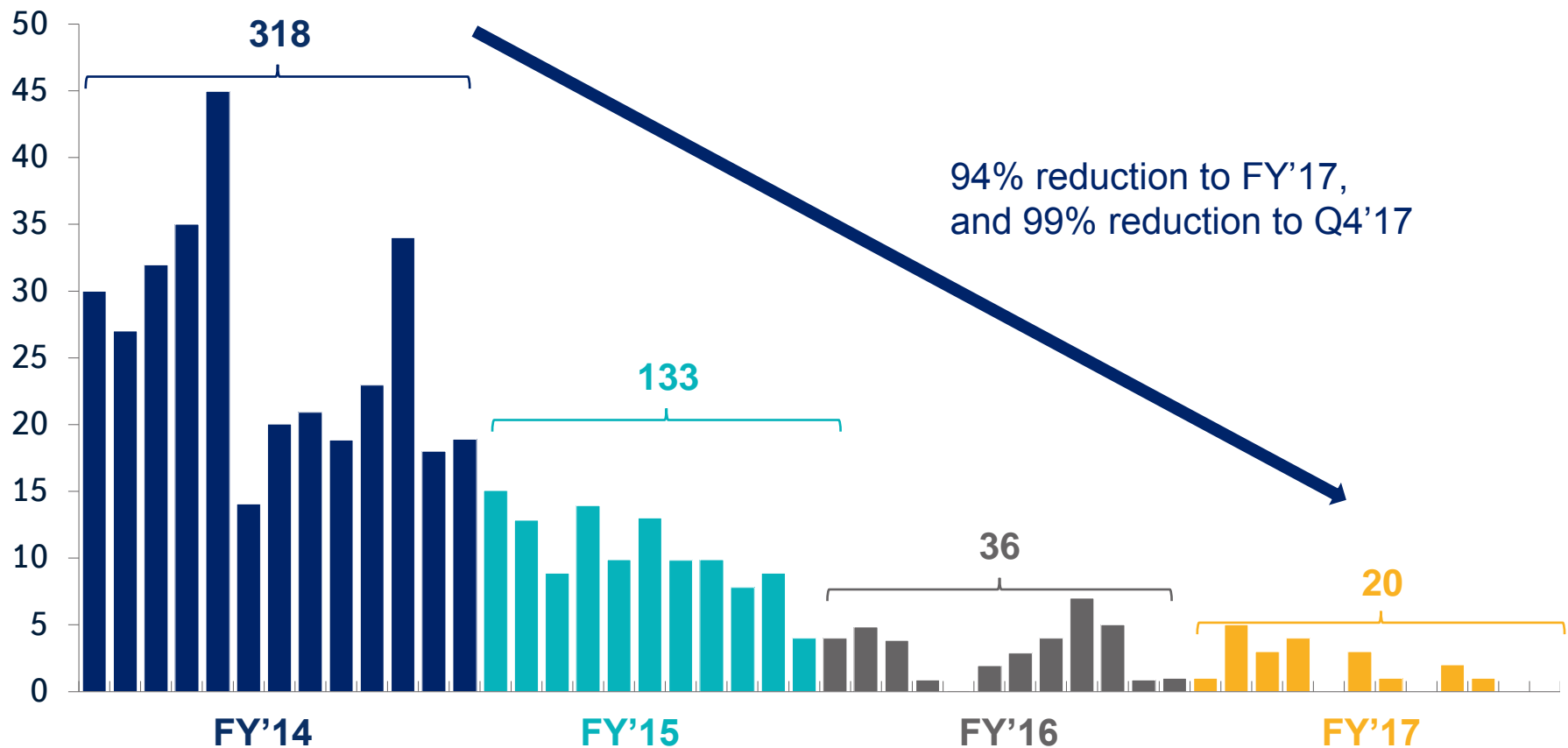
Innovative



Customer focused and digitally enabled

Safe and Secure: We've significantly improved our IT resilience

Monthly number of 'Crit 1' IT incidents⁽¹⁾



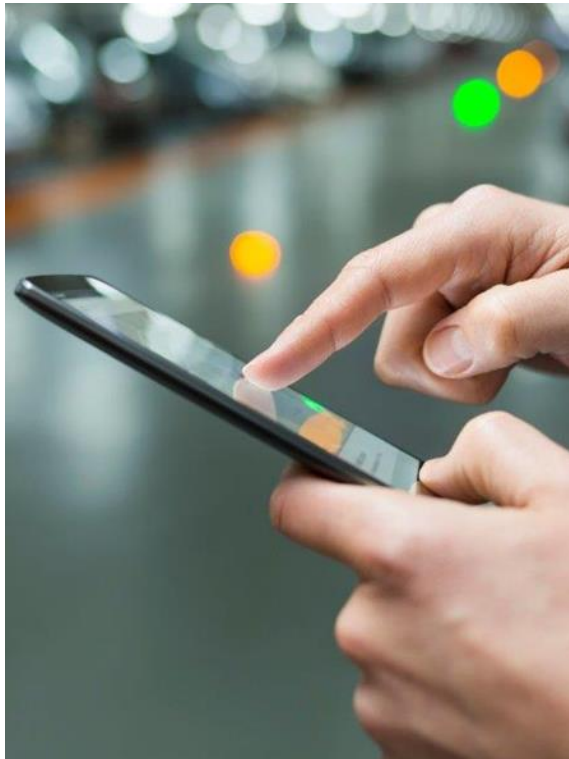
⁽¹⁾ Criticality 1 incidents are defined as having an adverse impact on a division's customers, employees, or 3rd parties

Three pillars of our digital and innovation strategy. High tech and High touch

Safe and Secure



Simplified and
Automated



Innovative



Customer focused and digitally enabled

Simplified and automated: We want to make it simple and easy for our customers to do their banking



UK's first paperless mortgage

- 👍 Outstanding customer advocacy – NPS +79
- 🕒 Average offer in 11 days – down from 23
- 🛡️ Safer data – no lost paperwork. Saves 4.3m sheets of paper a year
- 🤝 Over 50% existing customers renew online, in minutes



Self-service account opening

- 📊 Available to >90% of new commercial customers
- 👍 Customers open accounts when it suits them
- 🛡️ Documentation issued faster, and colleague interaction reduced
- 🕒 30 min faster than phone application



Automated business loans

- 📊 Accounts for 15% of base rate non-personal lending
- 🕒 Auto decision on 70% of enquiries
- 🤝 Pre-approved loans up to £50k
- 👍 Over 90% adoption rate

Three pillars of our digital and innovation strategy. High tech and High touch

Safe and Secure



Simplified and
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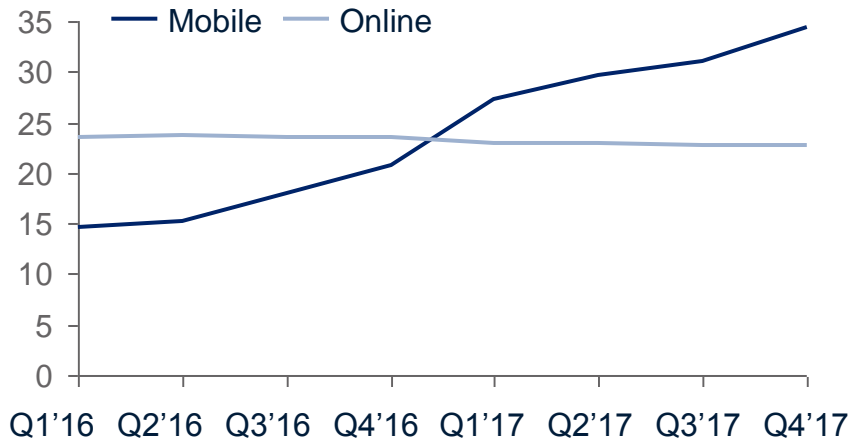


Customer focused and digitally enabled

Innovative: Mobile is becoming a key channel for personal, business and commercial customers

Customers transition to mobile

Payments by platform (million)



Bankline and Bankline Mobile

90k commercial customers active on Bankline

14k migrated to New Bankline

New Bankline saves customers 30% of their time to manage their day to day banking



>5m Active mobile users, up 20% on Dec-16



68% of active everyday banking tasks available on app, up from 50% in 2016



Digital payments up 14% since 2014



Customers sent a payment using the mobile app 4 times a second in 2017



Digital companion to Bankline to be launched in 2018



70% adoption from non-incentivised participants in pilot



View transactions



Biometric payment approvals

A market leading Mobile app Net Promoter Score: +51

Innovative: Partnering to build market leading digital solutions

Customers

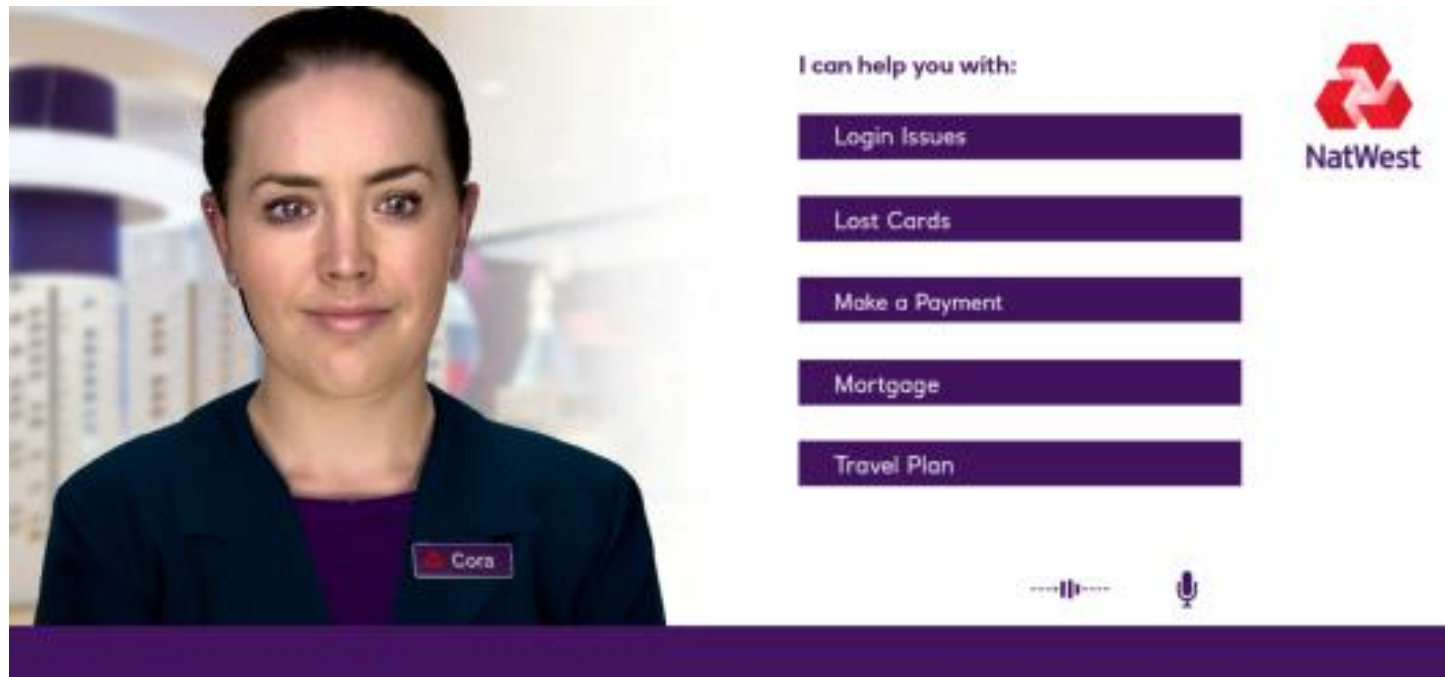
- ✓ 414k interactions since launch, currently handles 100k each month
- ✓ Referred for specialist advice when required
- ✓ Available 24/7

Controls

- ✓ Fewer complaints
- ✓ Consistent, recorded advice and service

Colleagues

- ✓ 228 questions now answered by Cora
- ✓ Colleagues spend more time with customers



Innovative: We're applying what we learnt with our customers to help our colleagues

Archie – Artificial intelligence



Available 24/7



+29 NPS



51% conversations contained



23k conversations

Helping colleague productivity



Supports 879 processes –
500 can be done on mobile



Access on mobile,
tablets and desktop



Real time data and insights to
help manage our people and
businesses

Consistent strategy and retaining 2020 targets

Our blueprint for lasting success

Our Ambition

No.1
for customer
service, trust
and advocacy

Our Purpose

Serve customers well

Our Values

Serving
customers

Working
together

Doing the
right thing

Thinking
long term

Our Brands



Royal Bank
of Scotland



RBS
International

Coutts



Ulster Bank

Our Priorities

Strength
and
sustainability

Customer
experience

Simplifying
the bank

Supporting
sustainable
growth

Employee
engagement

Our 2020 Goals

CET1 ratio 13%
RoTE $\geq 12\%$

No.1 for
service, trust
and advocacy

Cost:income
ratio $< 50\%$





Leading market
positions in
every franchise

Employee
engagement in
upper quartile of
Global Financial
Services (GFS) norm

Ewen Stevenson

Chief Financial Officer

FY 2017 update on progress

4 priorities	2017 progress	
Grow income	<ul style="list-style-type: none"> Adjusted income growth of 4.0% 2.2% net lending growth across PBB, CPB and RBSI⁽¹⁾ primarily driven by mortgage growth 	
Cut costs	<ul style="list-style-type: none"> £810m adjusted operating expenses reduction (-8% nominal) 	
Reduce RWAs	<ul style="list-style-type: none"> Reduced RWAs by £27.3bn (12.0%) to £201bn CET1 ratio +250bps Y/Y to 15.9%; IFRS 9 pro forma Day 1 impact +30bps 	
Resolve legacy issues	<ul style="list-style-type: none"> Wound up former Capital Resolution; remaining assets transferred largely into NWM Alternative remedy package approval from the EC for the business previously described as Williams & Glyn Reached settlements with FHFA and the California State Attorney General in the US; resolved 2008 rights issue litigation RMBS - substantial additional charges and costs may be recognised in the coming quarters 	 Pending

First attributable profit in 10 years. Adjusted operating profit up 31%

Q4 2017 Financials

Income Statement (£m)	Q4 2017	vs. Q3 2017	vs. Q4 2016
Income	3,057	(3%)	(5%)
<i>Adjusted Income</i>	2,857	(10%)	(14%)
Total costs	(3,406)	59%	(55%)
<i>Restructuring costs</i>	(531)	118%	(47%)
<i>Litigation & Conduct costs</i>	(764)	n.m	(81%)
<i>Adjusted costs</i>	(2,111)	19%	(5%)
Impairments (losses)/releases	(234)	64%	n.m
Operating profit/(loss)	(583)	n.m	(86%)
<i>Adjusted operating profit/(loss)</i>	512	(59%)	(57%)
Attributable profit/(loss)	(579)	n.m	(87%)

Key Metrics (%)	Q4 2017	vs. Q3 2017	vs. Q4 2016
Net interest margin	2.04	(8bps)	(15bps)
CET1 ratio	15.9	40bps	250bps
Loan:deposit ratio	88	(200bps)	(300bps)
Balance Sheet (£bn)	Q4 2017	vs. Q3 2017	vs. Q4 2016
Net lending	323	(1%)	-
Customer deposits	367	2%	4%
RWAs	201	(5%)	(12%)
TNAV per share (p) - diluted	292	(6p)	(2p)

- Q4'17 £579m attributable loss driven by £1.3bn of litigation & conduct and restructuring costs
- Cost reduction is closely correlated to headcount reduction – FTEs down 2,400 (3%) in Q4'17 (down 8% vs. FY'16)

Trading Update

- Overall, RBS has had a positive start to 2018

Costs

- Costs, ex. restructuring and litigation and conduct costs, will reduce vs 2017, but the rate of cost reduction will be materially lower than in 2017

Restructuring

- Expect to spend c.£1.5bn more than prior guidance (which was £1bn ex. Williams & Glyn; W&G now estimated at around £0.3bn)

Capital

- We expect to hold in excess of 13% CET1 in the short to medium term as we work through the impacts under both base and stress of IFRS 9 volatility, RWA inflation and our defined benefit pension schemes
- End 2018 RWAs to be £5-10bn lower than end 2017, despite some model uplifts in Commercial Banking

2020 Targets

- Expect to achieve sub 50% cost:income ratio and above 12% return on equity
- We no longer guide to an absolute 2020 cost base

⁽¹⁾ The targets, expectations and trends discussed in this presentation represent management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017. These statements constitute forward looking statements, please see Forward Looking Statements at the end of this presentation.

CET1 generation 2018 and beyond⁽¹⁾

	CET1	RWAs
2018	<ul style="list-style-type: none"> + Underlying profitability - Potential DoJ/ RMBS settlement 	<ul style="list-style-type: none"> + Net Bank RWAs to be lower by £5bn-£10bn
2019	<ul style="list-style-type: none"> + Underlying profitability 	<ul style="list-style-type: none"> - Net growth - IFRS 16 to increase RWAs by c.2-3bn (1st Jan 2019)
2020	<ul style="list-style-type: none"> + Underlying profitability - Agree next Triennial valuation & additional contributions (by Q1 2020) 	<ul style="list-style-type: none"> - Net growth - PRA mortgage floors to increase RWAs by £12bn (H2)
2021	<ul style="list-style-type: none"> + Underlying profitability 	<ul style="list-style-type: none"> - Net growth - Basel 3 reforms effective Q1 2022, estimated +10% increase in RWAs (credit risk, operational risk & output floors)

⁽¹⁾ For a description of the risks around these and other factors that may affect capital levels, please refer to the Risk Factors on pages 372 to 402 of the Annual Report and Accounts 2017

Key messages

Strategic plan is working – first full year attributable profit in ten years

Costs down, income up, capital position stronger, growing in target markets and colleague engagement is highest in ten years

Responding to industry change, investing to be less complex, more automated and innovative

Costs will reduce versus 2017, but the rate of cost reduction will be materially lower than in 2017 due to investment and innovation spend

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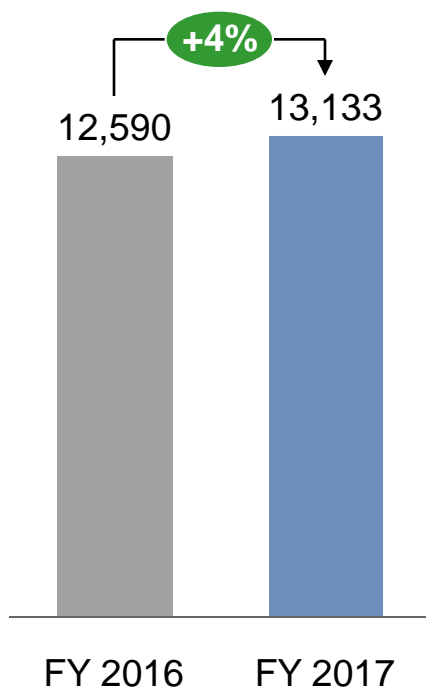
Investment case is clearer and the prospect of shareholder returns is getting closer

Q&A

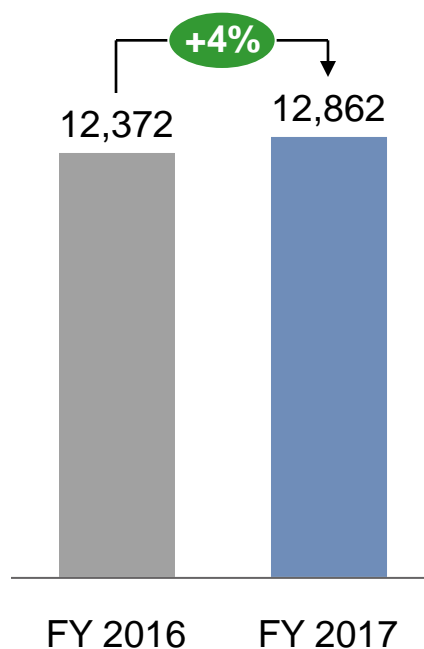
Appendix

Income growth 2017 vs. 2016

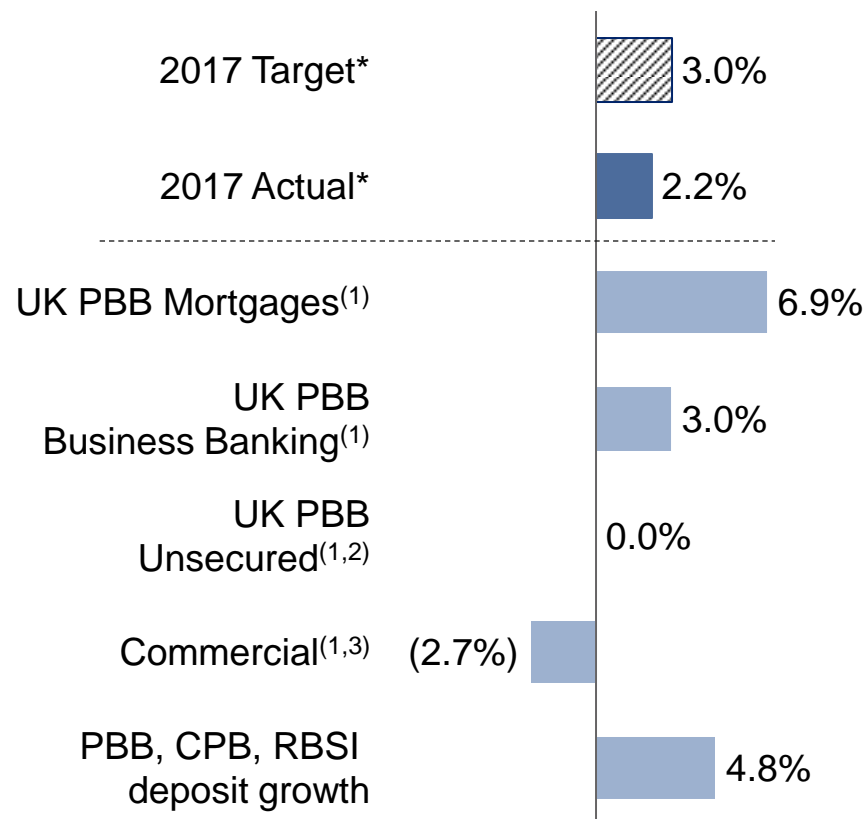
Total income (£m)



Adjusted income (£m)



2017 balance sheet growth



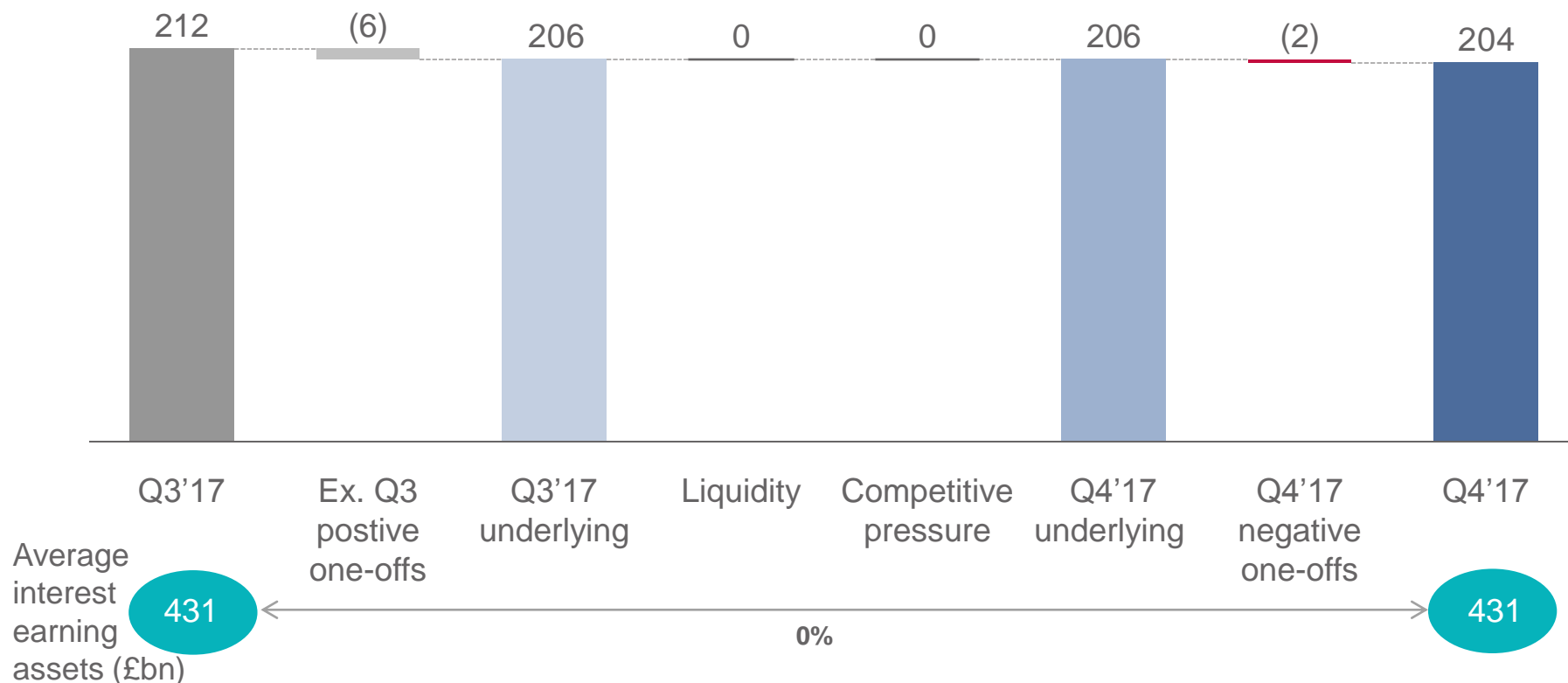
- Excluding Q4 2017 transfers across PBB, CPB and RBSI net loans and advances increased by £6.0bn, or 2.2% during 2017. Whilst below our 3% target, this represents strong growth in a competitive environment

* Note: 2017 target and 2017 actuals are based on PBB, CPB&RBSI balance sheet growth pre resegmentation to align to the lending target that was originally set

⁽¹⁾ Loan growth detail shown gross of provisions, overall target shown net. UK PBB Business Banking 3% growth is adjusted for transfers of loans and advances of £0.4bn from Commercial Banking to UK PBB during 2017 to better align Business banking customers. ⁽²⁾ Unsecured consists of personal advances and cards ⁽³⁾ Reduction in Commercial lending mainly driven by conscious reductions in RWAs, partially offset by underlying growth. Commercial balance sheet impacted by business transfers

NIM progression – Q4 2017

Net interest margin ('NIM'), bps



- Q4 NIM reduced by 8bps driven by non-repeat of Q3 income releases one-offs (6bps) and negative one-offs mainly in UK PBB (2bps)
- Competitive pressure continued with front book asset margins continuing to reduce, offset by the benefit on deposit margins of the rate rise

Net interest income and cash flow hedging reserve sensitivity⁽¹⁾

Structural and product hedge

	2017		
	Incremental income (£m)	Average notional (£bn)	Overall yield (%)
Equity structural hedging	628	28	2.48%
Product structural hedging	680	101	1.02%
Total	1,308	129	1.34%

NII sensitivity

2017 (£m)	Total (£m)
+25bps	178
-25bps	(243)
+100bps	775
-100bps	(571)

Change in NII – 25bps upward shift in yield curves

2017 (£m)	Year 1	Year 2	Year 3
Structural hedges	33	100	171
Managed margin ⁽²⁾	153	170	178
Other	(8)	-	-
Total	178	270	349

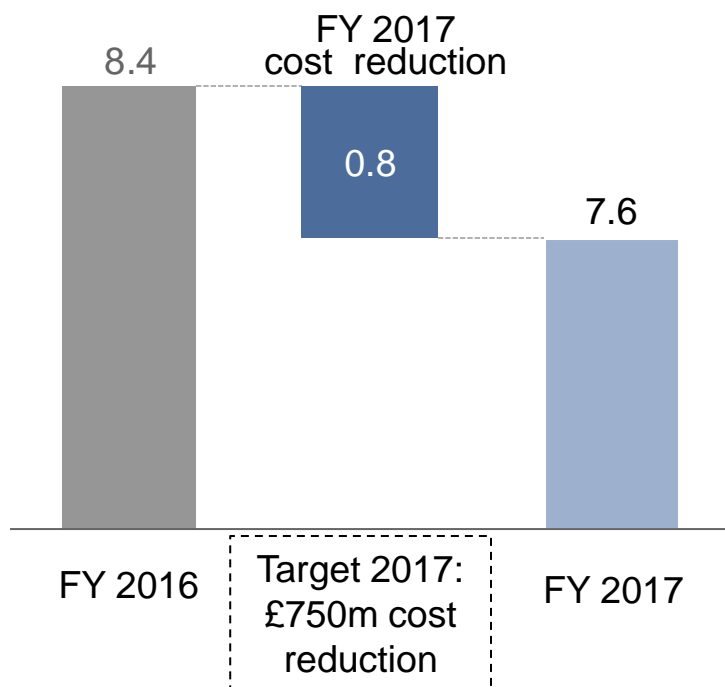
AFS reserve and Cashflow hedge reserve

2017 (£m)	Available-for-sale reserve (£m)	Cashflow hedge reserve (£m)	Total (£m)
+25bps	(41)	(443)	(484)
-25bps	42	448	490
+100bps	(164)	(1,744)	(1,908)
-100bps	167	1,819	1,986

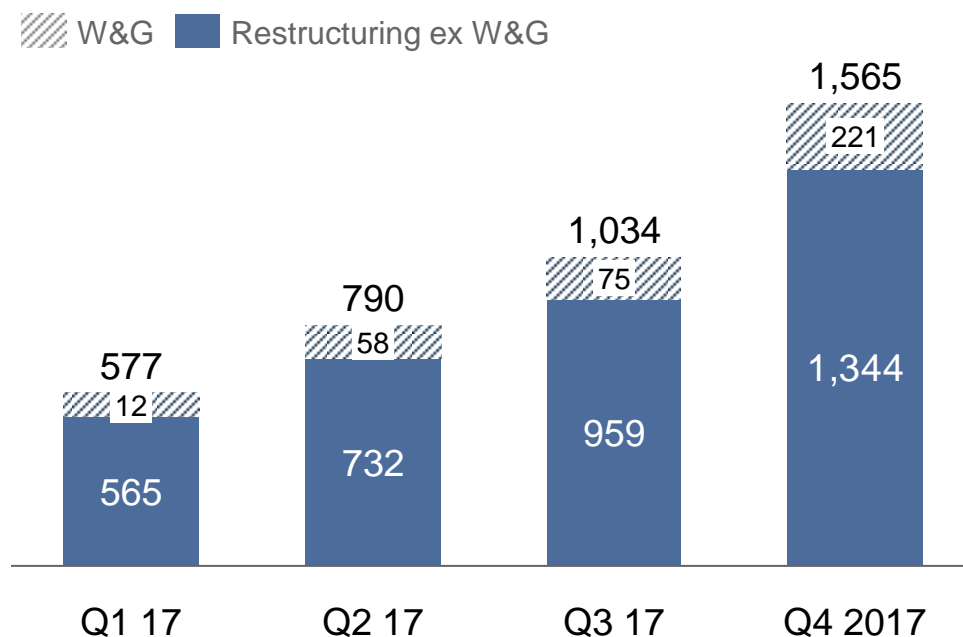
⁽¹⁾ More information available on pg. 212-214 of the 2017 Annual Report and Accounts ⁽²⁾ Primarily current accounts and savings accounts.

Adjusted operating costs – exceeded 2017 target

Adjusted Operating Costs⁽¹⁾ (£bn)



Cumulative Restructuring Spend (£m)



- £810m cost saving for FY 2017 vs. £750m cost target; c.45% of the FY cost reduction was across PBB, CPB, RBSI and the NatWest Markets core business⁽²⁾

FY 2017 results by business



								Total RBS
(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	
Adj. Income⁽²⁾	6.5	0.6	3.5	0.7	0.4	1.1	0.1	12.9
Adj. Operating expenses ⁽⁴⁾	(3.2)	(0.5)	(1.8)	(0.4)	(0.2)	(1.5)	0.0	(7.6)
Impairment (losses) / releases	(0.2)	(0.1)	(0.4)	(0.0)	(0.0)	0.2	(0.0)	(0.5)
Adj. operating profit^(2,4)	3.1	0.1	1.3	0.2	0.2	(0.3)	0.2	4.8
Funded Assets ⁽⁶⁾	190.6	24.5	149.5	20.3	25.9	118.7	47.7	577.2
Net L&A to Customers	161.7	19.5	97.0	13.5	8.7	22.7	0.1	323.2
Customer Deposits	180.6	17.5	98.0	26.9	29.0	14.8	0.2	367.0
RWAs	43.0	18.0	71.8	9.1	5.1	52.9	1.0	200.9
LDR	90%	111%	99%	50%	30%	153%	n.m.	88%
Adj. RoE (%)^(2,4,5)	31%	4%	8%	11%	13%	(4%)	n.m.	9%
Adj. Cost : Income ratio (%) ^(2,3,4)	49%	74%	50%	66%	52%	140%	n.m.	58%

⁽¹⁾ Central items include unallocated transactions which principally comprise volatile items under IFRS and balances in relation to international private banking for Q1 2016. ⁽²⁾ Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals. ⁽³⁾ Operating lease depreciation included in income (year ended December 2017 - £142 million; Q4 2017 - £35 million; year ended 31 December 2016 - £152 million, Q3 2017 - £35 million and Q4 2016 - £37 million). ⁽⁴⁾ Excluding restructuring costs and litigation and conduct costs. ⁽⁵⁾ RBS's CET 1 target is 13% but for the purposes of computing segmental return on equity (RoE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by average notional equity allocated at different rates of 14% (Ulster Bank RoI - 11% prior to Q1 2017), 11% (Commercial Banking), 14% (Private Banking - 15% prior to Q1 2017), 16% (RBS International - 12% prior to November 2017) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS's Return on equity is calculated using profit/(loss) for the period attributable to ordinary shareholders. ⁽⁶⁾ Funded assets exclude derivative assets.

Q4 2017 results by business



								Total RBS
(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	
Adj. Income⁽²⁾	1.5	0.2	0.8	0.2	0.1	0.2	(0.1)	2.9
Adj. Operating expenses ⁽⁴⁾	(0.8)	(0.1)	(0.5)	(0.1)	(0.1)	(0.4)	(0.1)	(2.1)
Impairment (losses) / releases	(0.1)	(0.1)	(0.1)	(0.0)	-	0.0	-	(0.2)
Adj. operating profit^(2,4)	0.7	(0.0)	0.2	0.1	0.0	(0.2)	(0.2)	0.5
Funded Assets ⁽⁶⁾	190.6	24.5	149.5	20.3	25.9	118.7	47.7	577.2
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Customer Deposits	180.6	17.5	98.0	26.9	29.0	14.8	0.2	367.0
RWAs	43.0	18.0	71.8	9.1	5.1	52.9	1.0	200.9
LDR	90%	111%	99%	50%	30%	153%	n.m.	88%
Adj. RoE (%)^(2,4,5)	26%	(5%)	3%	12%	10%	(9%)	n.m.	4.0%
Adj. Cost : Income ratio (%) ^(2,3,4)	53%	71%	63%	67%	65%	n.m	n.m.	74%

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Notable items – Income

(£m)	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total Income	13,133	3,057	3,157	3,707	3,212	12,590	3,216	3,310	3,000	3,064
Own Credit Adjustments	(69)	9	(5)	(44)	(29)	180	(114)	(156)	194	256
Gain/(Loss) on redemption of own debt	(7)			(9)	2	(126)	1	3	(130)	
Strategic disposals	347	191		156		164		(31)	201	(6)
o/w Visa Gain						246			246	
o/w Vocalink Gain	156			156						
o/w Euroclear Gain *	161	161								
Adjusted Income	12,862	2,857	3,162	3,604	3,239	12,372	3,329	3,494	2,735	2,814
Notable Items in Adjusted Income - Total	(807)	(381)	(272)	63	(217)	(597)	138	(50)	(384)	(301)
IFRS volatility in Central items	2	(173)	21	172	(18)	(510)	308	(150)	(312)	(356)
Property	(105)				(105)					
Funding value adjustments in NatWest Markets Legacy Business						(170)		160	(220)	(110)
Madoff recovery in NatWest Markets Legacy Business						109				109
UK PBB Product Sale	185	9	168		8	19	15		4	
FX (loss)/gain in Central items	(183)	(8)	(67)	(56)	(52)	446	140	53	201	52
FX reserve (loss)/gain in Central items	-					-				
Commercial										
FV and Disposal (loss)/gain in adjusted income	6	(46)	52							
NatWest Markets Legacy Business										
Disposal (loss)/gain in adjusted income *	(712)	(163)	(446)	(53)	(50)	(491)	(325)	(113)	(57)	4

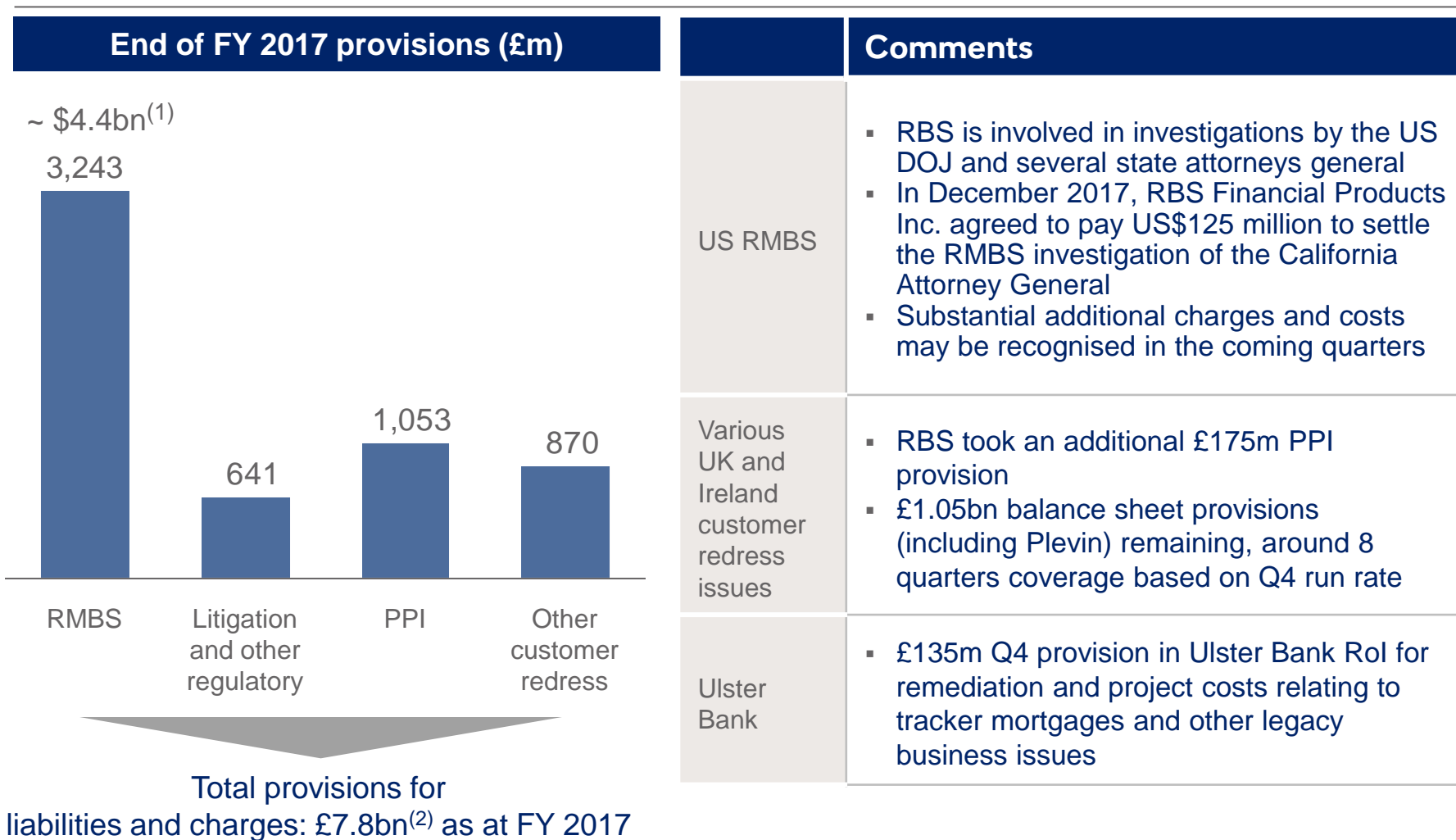
- We have incurred £1.7bn cumulative disposal losses related to the former Capital Resolution assets, across income, strategic disposals and impairments

* The Euroclear gain in strategic disposals includes £26m which arose in NatWest Markets legacy business in Q4 2017. This amount is therefore not shown within NWM legacy business disposal losses in adjusted income, but forms part of overall NWM legacy business disposal losses

Notable items – Expenses & Impairments

(£m)	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total Expenses	(10,401)	(3,406)	(2,143)	(2,399)	(2,453)	(16,194)	(7,354)	(2,911)	(3,509)	(2,420)
Restructuring	(1,565)	(531)	(244)	(213)	(577)	(2,106)	(1,007)	(469)	(392)	(238)
o/w Williams & Glyn	(221)	(147)	(17)	(46)	(12)	(1,456)	(810)	(301)	(187)	(158)
o/w NV pension settlement	(73)				(73)					
o/w Property	(303)	(100)	14	18	(235)					
Litigation & Conduct	(1,285)	(764)	(125)	(342)	(54)	(5,868)	(4,128)	(425)	(1,284)	(31)
o/w US RMBS	(664)	(442)		(222)		(3,300)	(3,051)	(249)		
o/w GRG						(400)	(400)			
o/w PPI	(175)	(175)				(601)	(201)		(400)	
o/w Ulster Bank Rol	(169)	(135)	(1)	(33)		(172)	(77)	(3)	(92)	
Adjusted Expenses	(7,551)	(2,111)	(1,774)	(1,844)	(1,822)	(8,220)	(2,219)	(2,017)	(1,833)	(2,151)
o/w VAT recovery in Centre	86	6	29		51	227			227	
Bank Levy	(215)	(215)				(190)	(190)			
o/w UK PBB	(33)	(33)				(34)	(34)			
o/w Ulster Bank Rol	(1)	(1)				(3)	(3)			
o/w Commercial	(91)	(91)				(90)	(90)			
o/w Private	(18)	(18)				(19)	(19)			
o/w RBSI	(14)	(14)				(19)	(19)			
o/w NatWest Markets	(28)	(28)				(35)	(35)			
o/w Central items	(30)	(30)				10	10			
Impairments	(493)	(234)	(143)	(70)	(46)	(478)	75	(144)	(186)	(223)
NatWest Markets	174	26	71	32	45	(253)	130	(120)	(67)	(196)
Ulster Bank Rol	(60)	(81)	10	(13)	24	113	47	39	14	13
Commercial	(362)	(117)	(151)	(33)	(61)	(206)	(83)	(20)	(89)	(14)

Litigation and conduct



RWA reduction and capital generation



- We retain our guidance of CET1 ratio >13%
- By the end of 2018, expect Bank RWAs to be lower by £5bn - £10bn
- If we are in a position to return excess capital, we will consider the full range of available options including ordinary dividend payments, special dividends and share repurchases

⁽¹⁾ As of 1st January, our pro forma CET1 ratio was 16.2% including a 30bps Day 1 benefit from IFRS 9

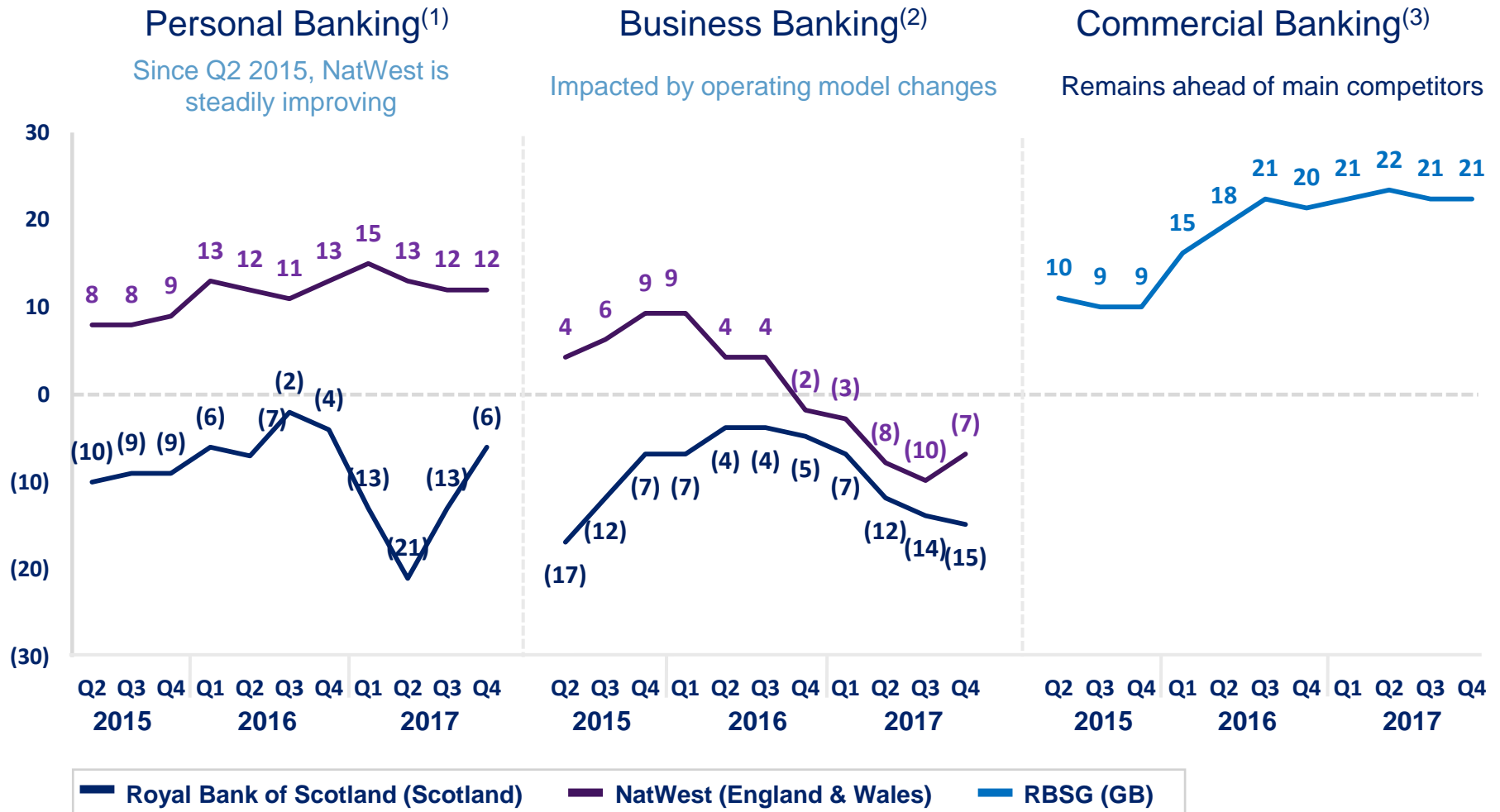
Diluted Tangible Net Asset Value (TNAV) movements

	Q3 2017			Q4 2016		
	£m	Shares in issue (m)	TNAV per share	£m	Shares in issue (m)	TNAV per share
Starting TNAV	35,621	11,950	298	34,982	11,906	294
Profit/(Loss) for the period post tax ⁽¹⁾	(398)		(3p)	1,444		12p
Less: loss to NCI / other owners	(164)		(1p)	(663)		(6p)
Other comprehensive Income	32			(733)		(6p)
<i>o/w AFS</i>	(11)			26		
<i>o/w Cashflow hedging gross of tax</i>	(86)		(1p)	(1,069)		(9p)
<i>o/w FX</i>	18			100		1p
<i>o/w Remeasurement of net defined pension liability</i>	116		1p	90		1p
<i>o/w OCA</i>	(19)			(126)		(1p)
<i>o/w Tax</i>	14			246		2p
Less: OCI attributable to NCI / other owners	(8)			(17)		
Proceeds of share issuance	151	60		377	142	
Redemption of paid in equity (FX unlocking)				(196)		(2p)
Other movements ⁽²⁾	(70)	21	(2p)	(30)	(17)	
	Q4 2017			Q4 2017		
	£m	Shares in issue (m)	TNAV per share	£m	Shares in issue (m)	TNAV per share
End of period TNAV	35,164	12,031	292	35,164	12,031	292

■ End of period undiluted TNAV 294p

⁽¹⁾ Profit for the period is pre non controlling interests and other owners dividends and excludes write-down of goodwill and other intangible assets ⁽²⁾ Other reserve movements including intangibles

Net Promoter Scores across our businesses



(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3361) Royal Bank of Scotland (Scotland) (440). Based on the question: "How likely is it that you would recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?" Base: Claimed main banked current account customers.

(2) Source: Charterhouse Research Business Banking Survey, YE Q4 2017. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: NatWest England & Wales (1245), RBS Scotland (437). Question: "How likely would you be to recommend (bank)". Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain.

(3) Source: Charterhouse Research Business Banking Survey, YE Q4 2017. Commercial £2m+ in GB (RBSG sample size, excluding don't knows: 904). Question: "How likely would you be to recommend (bank)". Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain.

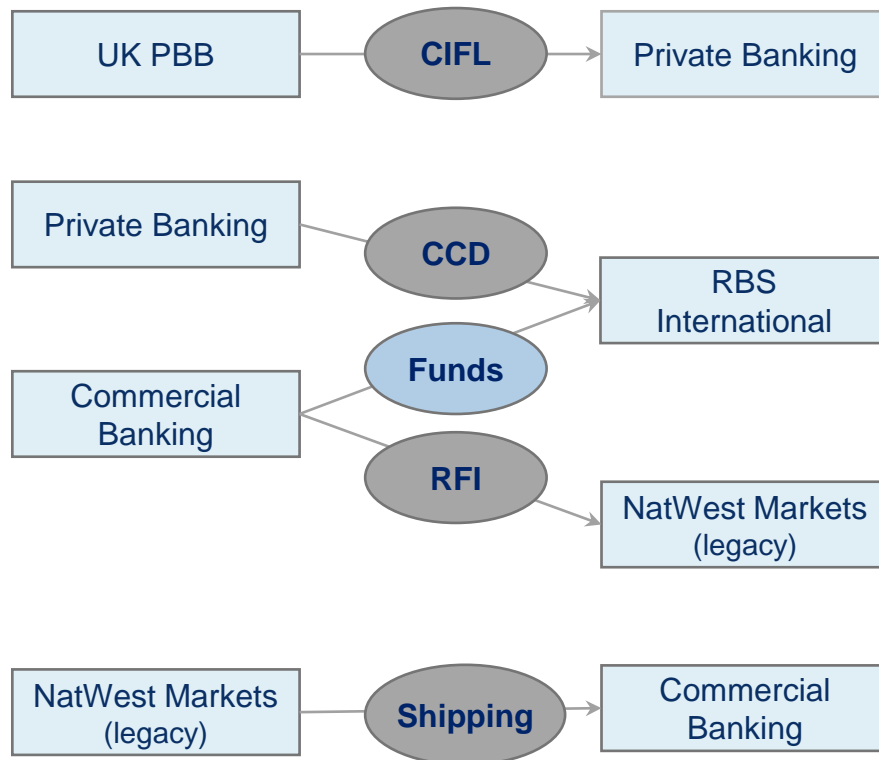
NatWest Markets

	NWM				Core				Legacy			
P&L £m	FY17	FY16	Q4 2017	Q4 2016	FY17	FY16	Q4 2017	Q4 2016	FY17	FY16	Q4 2017	Q4 2016
Adjusted income	1,090	1,106	165	29	1,665	1,521	284	314	(575)	(415)	(119)	(285)
Adjusted costs	(1,528)	(2,084)	(390)	(514)	(1,268)	(1,320)	(324)	(338)	(260)	(764)	(66)	(176)
Adjusted PBIL	(438)	(978)	(225)	(485)	397	201	(40)	(24)	(835)	(1,179)	(185)	(461)
Operating profit/loss	(977)	(1,865)	(357)	(1,027)	41	(386)	(159)	(565)	(1,018)	(1,479)	(198)	(462)

Balance Sheet £bn	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016
RWAs	52.9	69.7	32.3	35.2	20.6	34.5
o/w Alawwal					6.6	7.9
o/w Legacy RWAs (ex Alawwal)					14.0	26.6

Business transfers

Asset transfers across Q4 2017 and Q1 2018 with no restatement of comparatives



9M 2017 financials related to transfers effective 1 Oct 2017

CIFL

Income	~£30m
Costs	~£10m
AUMs	£3.3bn

CCD - Coutts Crown Dependencies

Income	~£10m
AUMs	£1.2bn

RFI - Relevant financial institutions, securitisations

Assets	~£1bn
RWAs	~£0.6bn

Shipping & other activities

Income	Minimal
Costs	Minimal
RWAs	~£2bn

FY 2017 financials related to transfers effective 1 Jan 2018

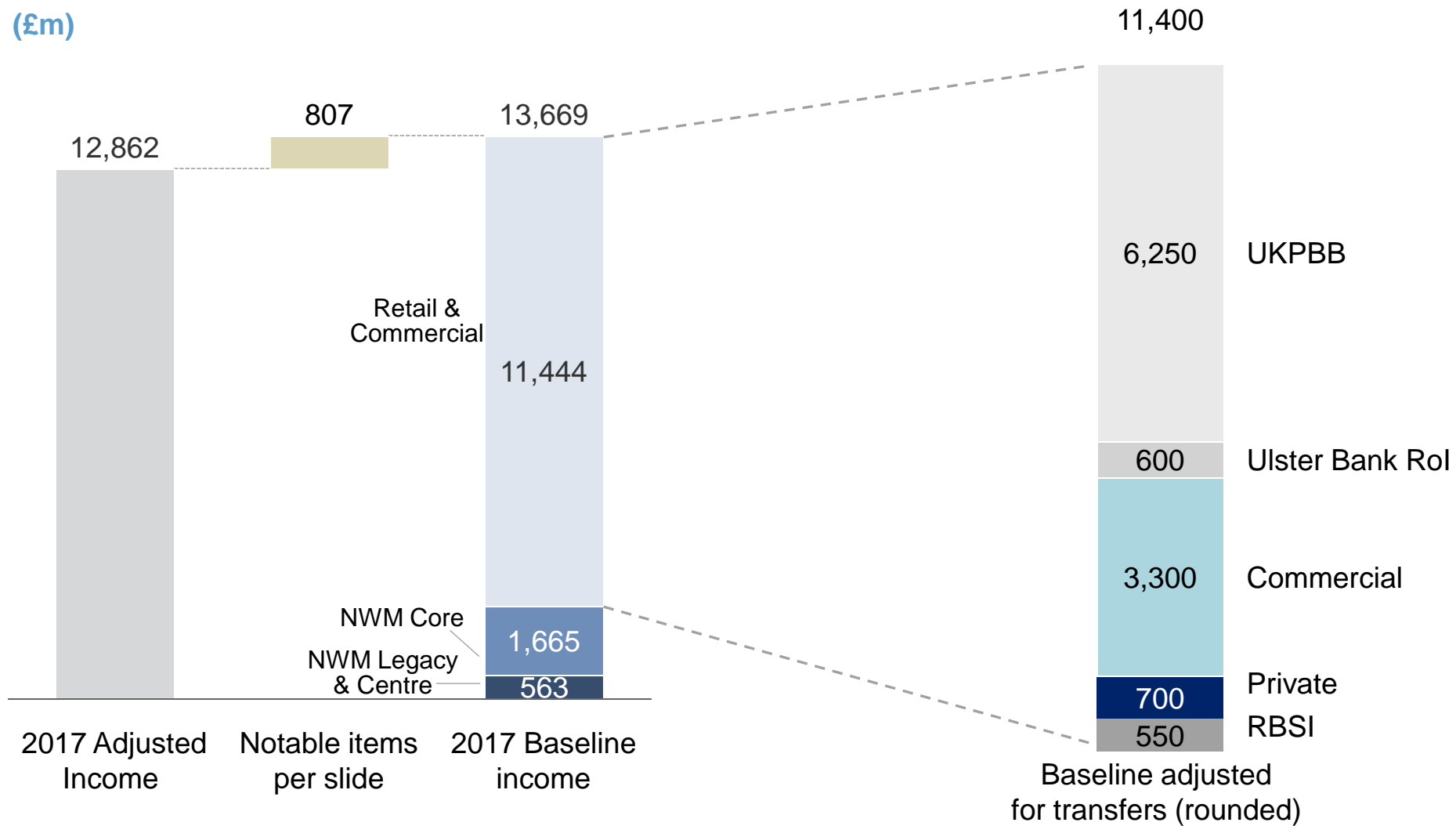
Funds

Income	~£150m
Costs	~£60m

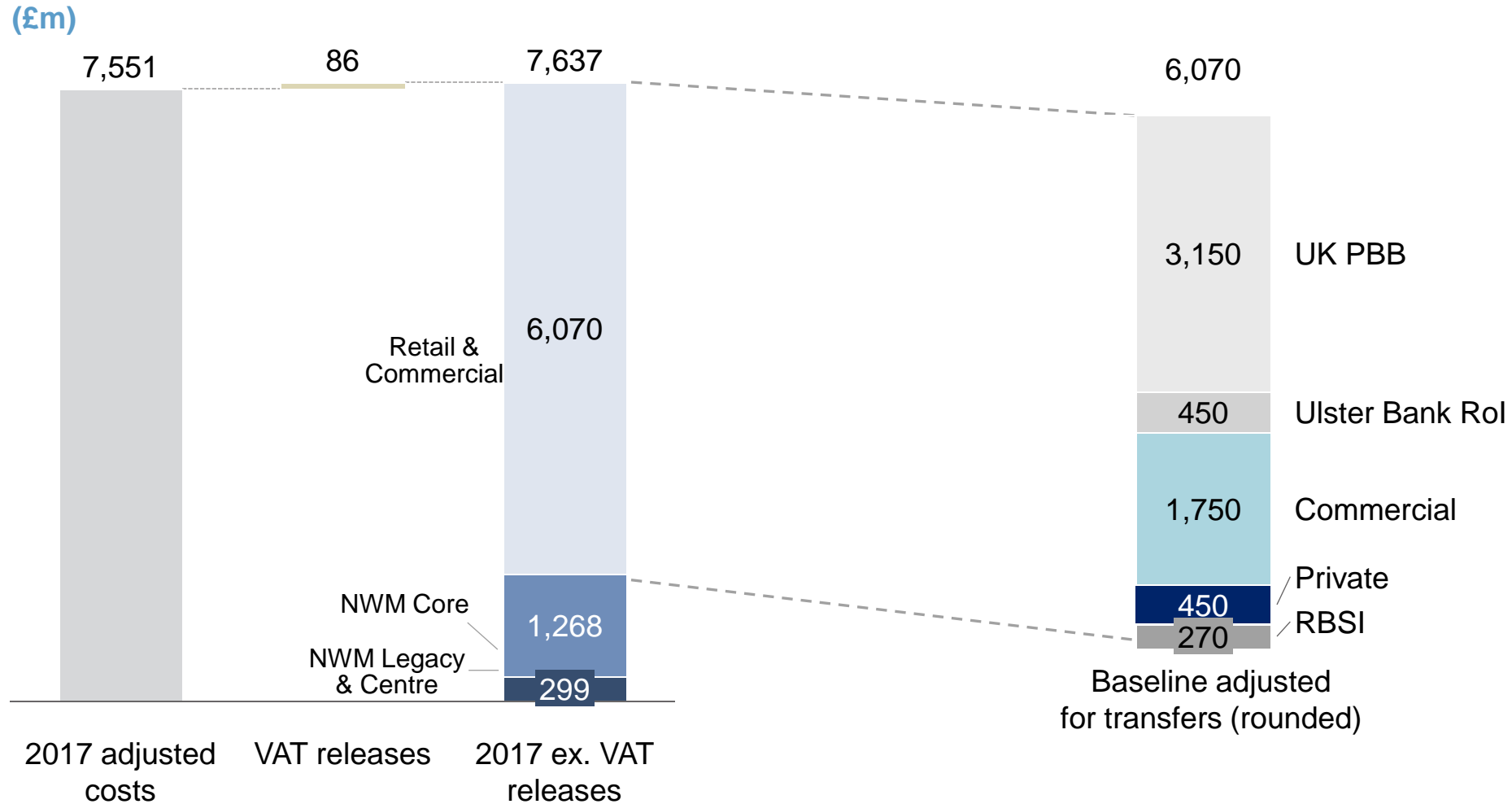
- **Commercial Banking** – asset transfers generate a RoE drag of around 2% points vs 2017 reported financials
- **RBS International** – asset transfers and AIRB waiver generate a RoE lift of around 7% points vs 2017 reported financials

Income Walk

(£m)



Costs Walk



- Expect NatWest Markets overall operating cost base, including legacy assets from Capital Resolution to be around £1bn by 2020

Sustainable banking

“Sustainability goes hand in hand with building trust. If we act irresponsibly, we will lose trust. That applies not just to how we treat our customers, but also the wider role we play in society.”

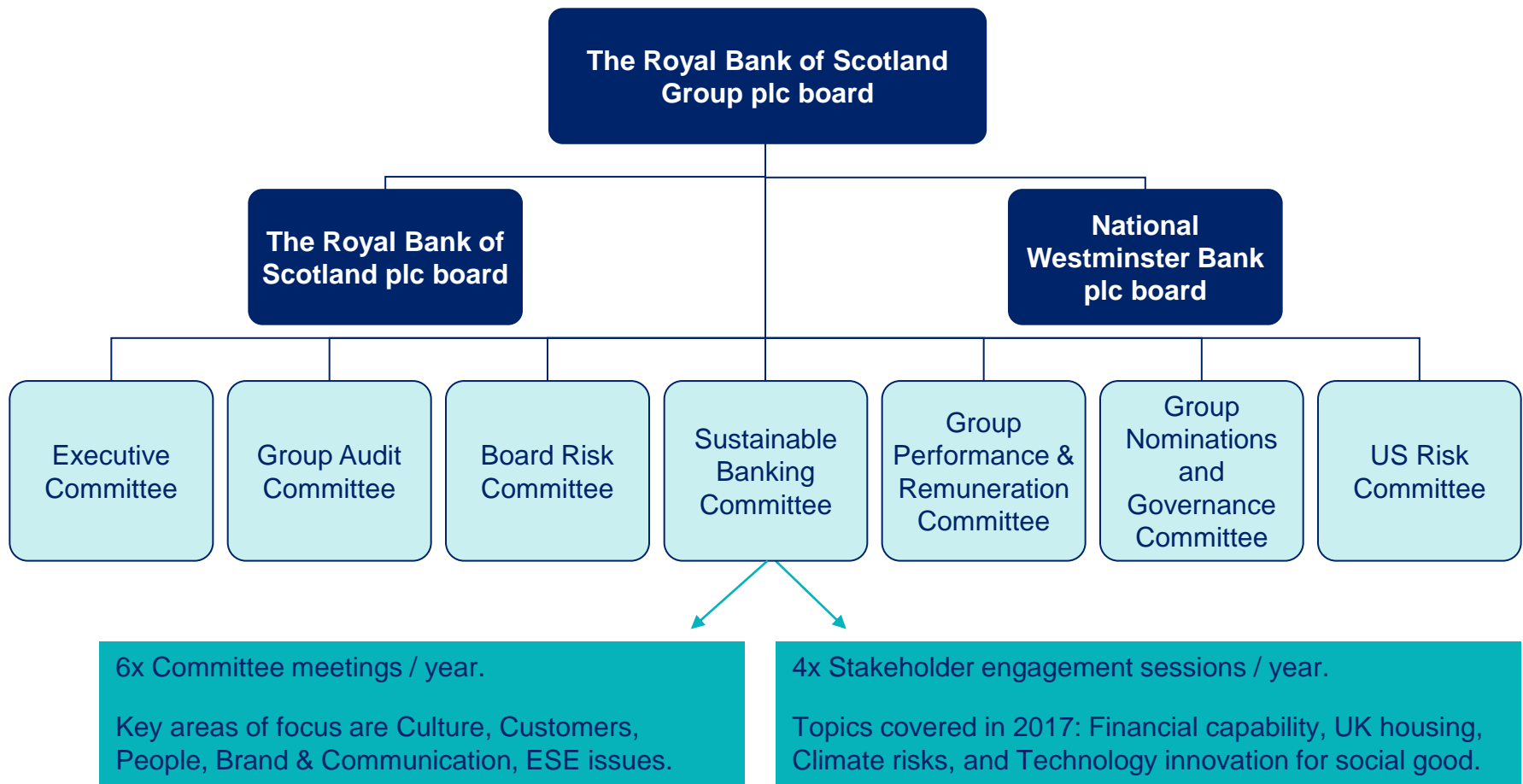
Ross McEwan, Chief Executive

“We’re committed to running the bank as a sustainable and responsible business, serving today’s customers in a way that also helps future generations. We meet regularly with NGOs, governments and other stakeholders to understand how we can generate long-term value for them.”

Kirsty Britz, Director of Sustainable Banking

Board governance and oversight

Sustainable banking governance sits directly under the Board and is informed by regular sessions with external stakeholders.



Highlights in 2017

Customer focused

Safe & Secure

We protected customers from **485,000** fraud attempts in the UK, which stopped **£244 million** being stolen.



Friends Against Scams

20,000 colleagues have trained as 'Friends Against Scams' to help keep our customers safe and secure.

Financial Health Checks

This year we've helped over **1 million** customers with a Free Financial Health Check.

Closed Loop Feedback

A new process provides real-time feedback from our customers which we are listening to, learning from and acting on every day.

TechXperts

We now have a trained TechXpert in every branch to help our customers get the most from our digital services.



Leading the way on digital

Approximately **5.5 million** customers now use our mobile app – voted Best Banking App in the UK at the British Bank Awards in 2017.

Responsible business

Integration

This is the second year of our journey towards integrated reporting. We have chosen to integrate our financial and non-financial performance to show how we are building a more sustainable bank.

Climate-Related Financial Disclosures

RBS pledged its support to the Task Force on Climate-related Financial Disclosures.



Outperforming our targets

We outperformed our 2020 environmental targets and set our new carbon reduction target using a 'science-based' method, aligning our ambition with climate science and the Paris agreement.

UK Modern Slavery Act

We published our first annual statement on the MSA on our corporate website. This built upon our interim statement which was published in December 2016 and our existing policy framework.

Awarded for achievements

Recorded highest level of external recognition winning multiple awards for our sustainability achievements.



Working at RBS

Female leaders

We increased the number of female leaders in our top three leadership layers to **37%** in 2017.

Top 50

Times Top **50** Employer for Women.

CPR Training

Over **40,000** colleagues completed CPR training. 3 colleagues have since had to apply their training, which **helped save 3 lives**.



13th

in the Top 100 Stonewall Index.

Platinum Award

Awarded Payroll Giving Platinum Award 2017.



Launched WISE 100

recognising the Top 100 women in social enterprises in the UK.

Service Excellence

Over **16,000** colleagues completed level one training, as part of our customer service programme.

We are building a more sustainable bank

RBS is becoming a more responsible company and we are doing business in a more sustainable way. We are listening and changing for the better.

Culture

We improved in all nine categories of the latest Banking Standards Board (BSB) survey compared with 2016 results. BSB promotes high standards across the UK banking industry.

Training

Over 64,600 employees underwent training by the Chartered Banker Professional Standards Board (CB:PSB) with 94% of applicable staff achieving the Foundation Standard.

Enterprise

We supported over 3,830 people through our Prince's Trust, Skills & Opportunities Fund and Entrepreneurial Spark programmes.

Engagement

Our View, the bank's annual employee feedback survey, showed that engagement is up by seven percentage points to 83% compared with 2016, the highest since 2002.

Climate change

We have been recognised by InfraDeals as the leading lender to the UK renewables sector by number of transactions over the past six years (2010-2017).

Financial capability

MoneySense, our financial education programme, won Digital Product of the Year (PPA Digital Awards) in recognition of how it has adapted to the digital age.

Sustainable banking: benchmarks

	2014	2015	2016	2017
CDP				
RBS – Disclosure	98	99		
RBS – Performance	B	B	A-	A-
Industry Av. - Disclosure	69	84		
Industry Av. - Performance	C	C	C	C
DJSI				
RBS	82	80	84	80
Industry average	60	61	61	58
FTSE4Good				
	Included	Included	Included	Included

- Retained Leadership position in CDP Leaders category
- Members of the United Nations Global Compact since 2003.
- Sustainability reporting that is independently assured to AA1000 standards.
- Awards and Recognition - Recorded highest level of external recognition winning multiple awards. A full listing is available on rbs.com.



Forward Looking Statements

Forward-looking statements

The targets, expectations and trends discussed in this presentation represent management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017.

Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include 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.

In particular, this document includes forward-looking statements relating, but not limited to: future profitability and performance, including financial performance targets such as return on tangible equity; cost savings and targets, including cost:income ratios; litigation and government and regulatory investigations, including the timing and financial and other impacts thereof; structural reform and the implementation of the UK ring-fencing regime; the implementation of RBS's transformation programme, including the further restructuring of the NatWest Markets franchise; the satisfaction of the Group's residual EU State Aid obligations; the continuation of RBS's balance sheet reduction programme, including the reduction of risk-weighted assets (RWAs) and the timing thereof; capital and strategic plans and targets; capital, liquidity and leverage ratios and requirements, including CET1 Ratio, RWA equivalents (RWAE), Pillar 2 and other regulatory buffer requirements, minimum requirement for own funds and eligible liabilities, and other funding plans; funding and credit risk profile; capitalisation; portfolios; net interest margin; customer loan and income growth; the level and extent of future impairments and write-downs, including with respect to goodwill; restructuring and remediation costs and charges; future pension contributions; RBS's exposure to political risks, operational risk, conduct risk, cyber and IT risk and credit rating risk and to various types of market risks, including as interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience including our Net Promoter Score (NPS); employee engagement and gender balance in leadership positions.

Limitations inherent to forward-looking statements

These statements are based on current plans, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to the Group's strategy or operations, which may result in the Group being unable to achieve the current targets, predictions, expectations and other anticipated outcomes expressed or implied by such forward-looking statements. In addition certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. Forward-looking statements speak only as of the date we make them and we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements we describe in this document, including in the risk factors and other uncertainties set out in the Group's 2017 Annual Report and other risk factors and uncertainties discussed in this document. These include the significant risks for RBS presented by the outcomes of the legal, regulatory and governmental actions and investigations that RBS is or may be subject to and any resulting material adverse effect on RBS of unfavourable outcomes and the timing thereof (including where resolved by settlement); economic, regulatory and political risks, including as may result from the uncertainty arising from Brexit and from the outcome of general elections in the UK and changes in government policies; RBS's ability to satisfy its residual EU State Aid obligations and the timing thereof; RBS's ability to successfully implement the significant and complex restructuring required to be undertaken in order to implement the UK ring-fencing regime and related costs; RBS's ability to successfully implement the various initiatives that are comprised in its restructuring and transformation programme, particularly the proposed further restructuring of the NatWest Markets franchise, the balance sheet reduction programme and its significant cost-saving initiatives and whether RBS will be a viable, competitive, customer focused and profitable bank especially after its restructuring and the implementation of the UK ring-fencing regime; the dependence of the Group's operations on its IT systems; the exposure of RBS to cyber-attacks and its ability to defend against such attacks; RBS's ability to achieve its capital, funding, liquidity and leverage requirements or targets which will depend in part on RBS's success in reducing the size of its business and future profitability as well as developments which may impact its CET1 capital including additional litigation or conduct costs, additional pension contributions, further impairments or accounting changes; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity or failure to pass mandatory stress tests; RBS's ability to access sufficient sources of capital, liquidity and funding when required; changes in the credit ratings of RBS, RBS entities or the UK government; declining revenues resulting from lower customer retention and revenue generation in light of RBS's strategic refocus on the UK; as well as increasing competition from new incumbents and disruptive technologies.

In addition, there are other risks and uncertainties that could adversely affect our results, ability to implement our strategy, cause us to fail to meet our targets or the accuracy of forward-looking statements in this document. These include operational risks that are inherent to RBS's business and will increase as a result of RBS's significant restructuring and transformation initiatives being concurrently implemented; the potential negative impact on RBS's business of global economic and financial market conditions and other global risks, including risks arising out of geopolitical events and political developments; the impact of a prolonged period of low interest rates or unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; the extent of future write-downs and impairment charges caused by depressed asset valuations; deteriorations in borrower and counterparty credit quality; heightened regulatory and governmental scrutiny (including by competition authorities) and the increasingly regulated environment in which RBS operates as well as divergences in regulatory requirements in the jurisdictions in which RBS operates; the risks relating to RBS's IT systems or a failure to protect itself and its customers against cyber threats, reputational risks; risks relating to increased pension liabilities and the impact of pension risk on RBS's capital position, including on any requisite management buffer; risks relating to the failure to embed and maintain a robust conduct and risk culture across the organisation or if its risk management framework is ineffective; RBS's ability to attract and retain qualified personnel; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; the value and effectiveness of any credit protection purchased by RBS; risks relating to the reliance on valuation, capital and stress test models and any inaccuracies resulting therefrom or failure to accurately reflect changes in the micro and macroeconomic environment in which RBS operates, risks relating to changes in applicable accounting policies or rules which may impact the preparation of RBS's financial statements or adversely impact its capital position; the impact of the recovery and resolution framework and other prudential rules to which RBS is subject; the application of stabilisation or resolution powers in significant stress situations; contribution to relevant compensation schemes; the execution of the run-down and/or sale of certain portfolios and assets; the recoverability of deferred tax assets by the Group; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as at the date hereof, and RBS does not assume or undertake any obligation or responsibility to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicit of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.