
Q3 2017 Results

27th October 2017

Key messages

Q3 attributable profit of £392m; Adjusted ROTE 8.2%

Cost, capital and lending targets on track for fourth consecutive year






Targeting a bottom line profit in 2018 subject to providing substantially for DoJ investigation into historic RMBS related activities in 2017

Continue to support the UK economy, growing in the markets we like within our risk appetite

We target income growth, cost reduction and RWA productivity

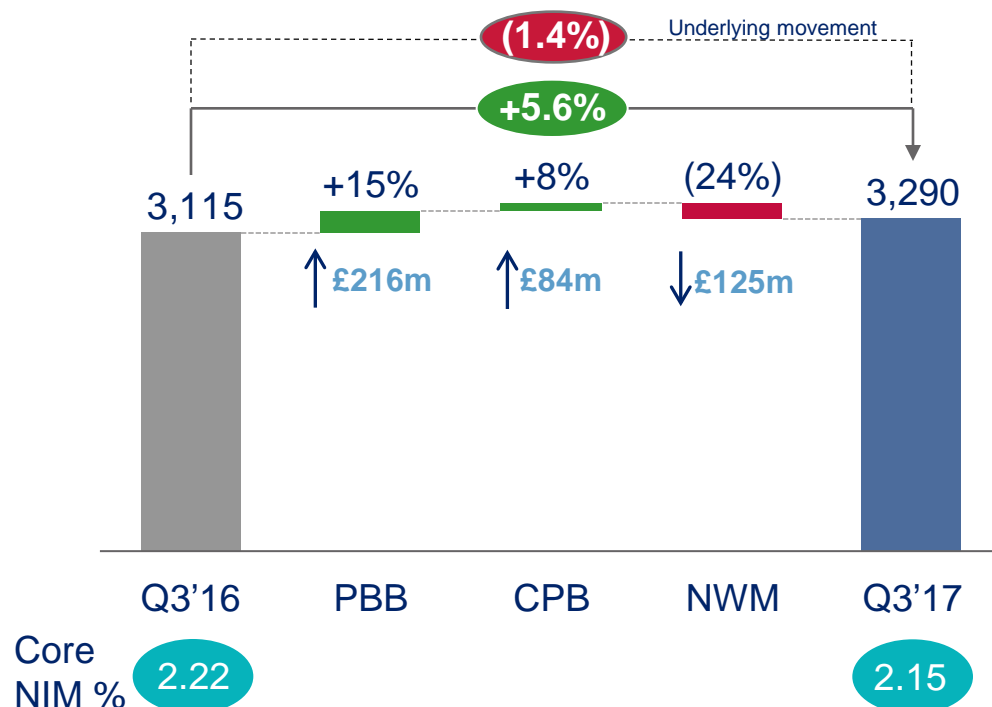
2020 financial targets unchanged - unadjusted 12%+ ROTE, sub-50% cost to income ratio, 13% CET1 target. #1 customer ambition

Q3 2017 update on progress

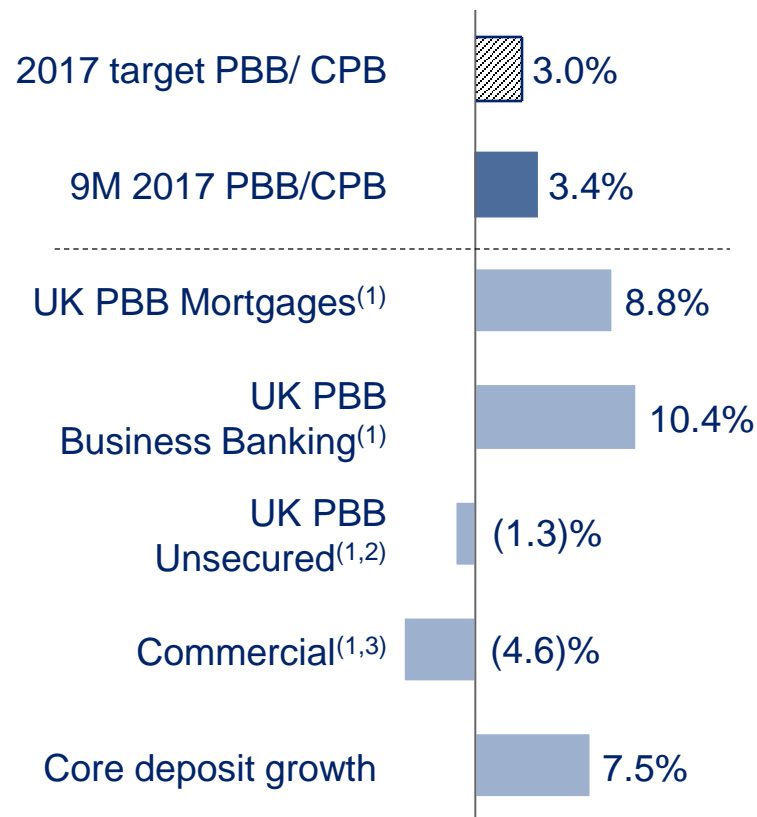
Core Bank	Progress	
Grow income	<ul style="list-style-type: none"> Core adjusted income growth of 5.6% over Q3 2016 (PBB and CPB income + 3.1% ex one-off gains) On track to meet 2017 3% lending growth target supported by mortgages 	
Cut costs	<ul style="list-style-type: none"> £214m additional costs out in Q3 2017, 9M YTD cost savings vs 2016 are £708m On track to meet £750m reduction target for 2017 	
Reduce RWAs	<ul style="list-style-type: none"> Reduced gross RWAs by £10.2bn in the Core bank in 9M 2017 On track to remove £20bn of gross RWA from the Core bank by FY 2018 CET1 ratio up 70bps Q/Q to 15.5% vs. 13% target 	
Legacy		
Capital Resolution run-down	<ul style="list-style-type: none"> Further £3.5bn RWA reduction in Q3 2017; £23.1bn remaining - £16.1bn ex Alawwal Disposal losses of £1.6bn incurred since 2015 	
Resolve Conduct & Litigation	<ul style="list-style-type: none"> RBS continues to cooperate with the DoJ in its civil and criminal investigations of RMBS matters, and with investigations by several state attorneys general; anticipate further substantial provisions and costs 	Pending
Agree solution for W&G	<ul style="list-style-type: none"> Alternative remedy package approved by the European Commission 	
On track to deliver 2017 and 2020 financial targets		

Core income growth Q3 2017 vs. Q3 2016

Adjusted income (£m)



9M 17 annualised balance sheet growth

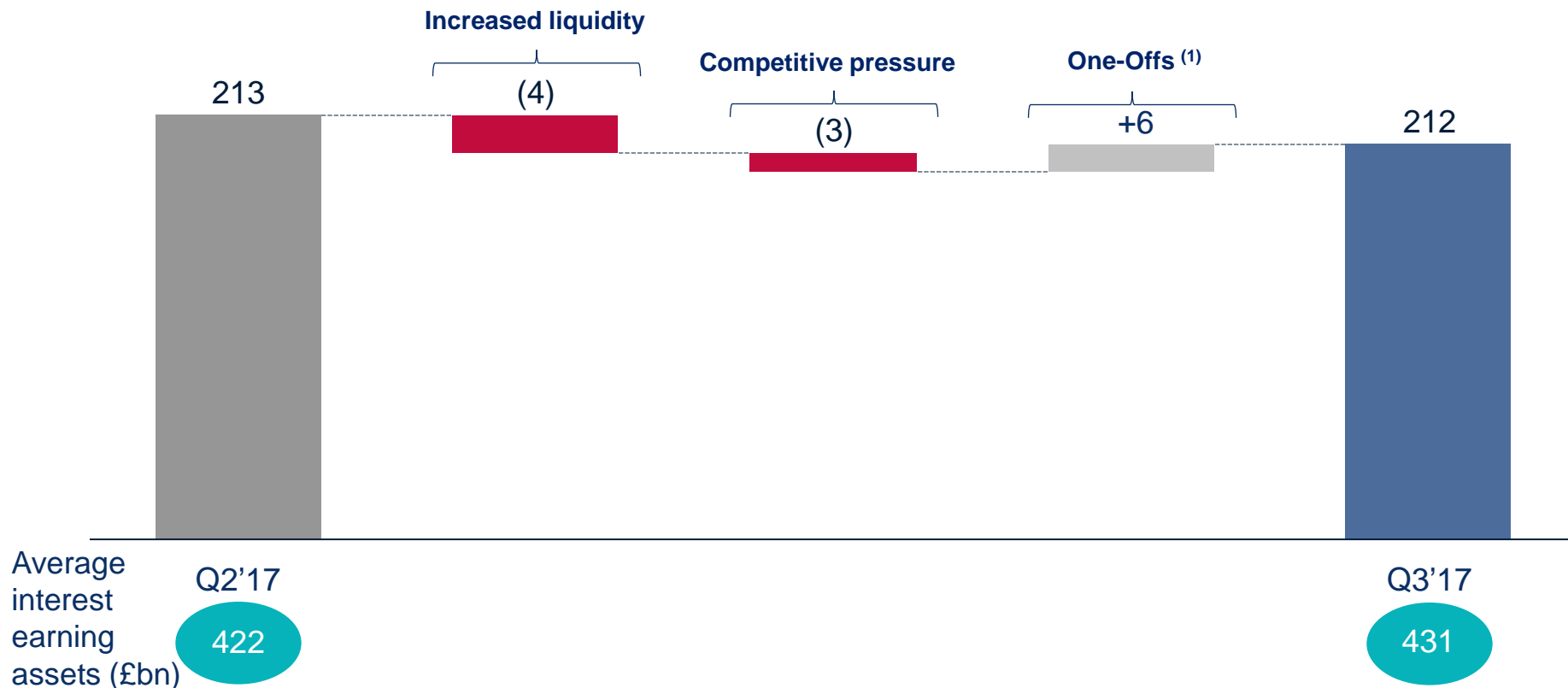


- PBB includes £168m of UK PBB debt sale and CPB includes £52m of asset sale
- Continued loan growth while remaining within our risk appetite
- PBB & CPB annualised loan growth of 3.4%, largely driven by mortgages
- Remain on track to meet our 3% net lending full year target

⁽¹⁾ Loan growth detail shown gross of provisions, overall target shown net ⁽²⁾ Unsecured consists of personal advances and cards ⁽³⁾ Reduction in Commercial lending mainly driven by conscious reductions in RWA's, partially offset by underlying growth

NIM progression

Net interest margin ('NIM'), bps

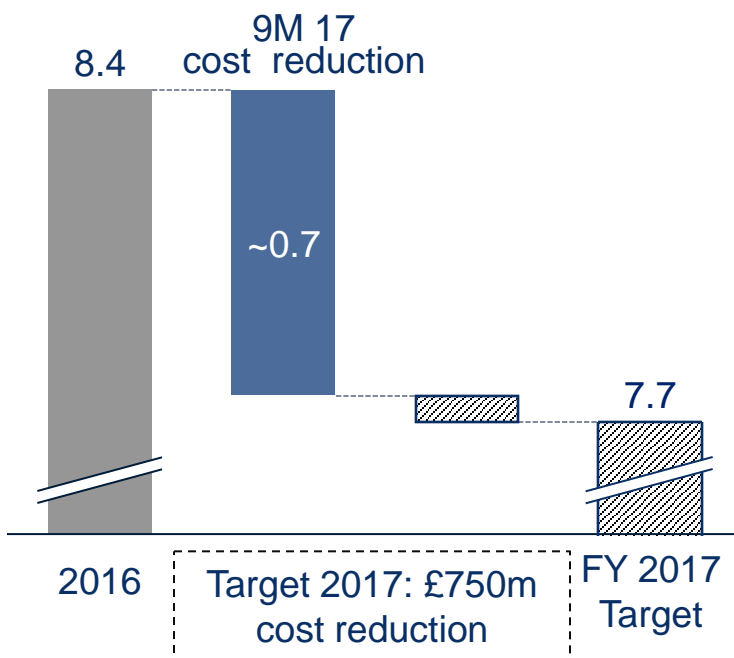


- Q3 NIM reduced by 7 basis points with 4 basis points driven by a build up in liquidity and the remainder due to continued structural hedge roll-off and ongoing margin pressure associated with mortgage balance growth
- The sensitivity of net interest earnings, over the next 12 months, to an immediate increase of 25 basis points to all interest rates is circa £175m across all currencies

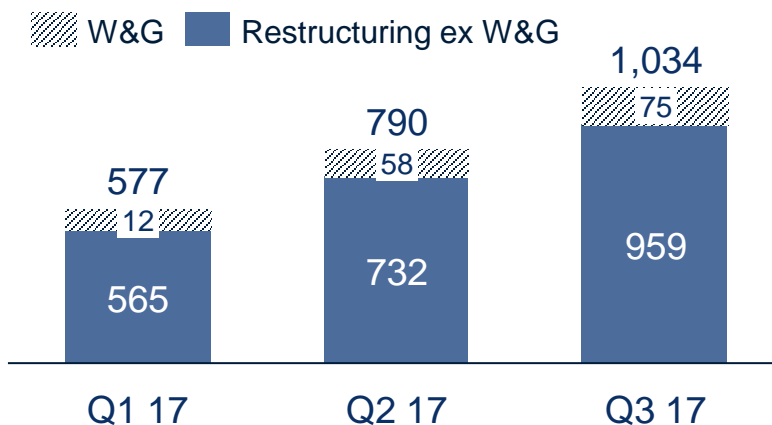
(1) One-offs include various interest income releases impacting Capital Resolution and Centre.

Adjusted operating cost progress to 2017 target

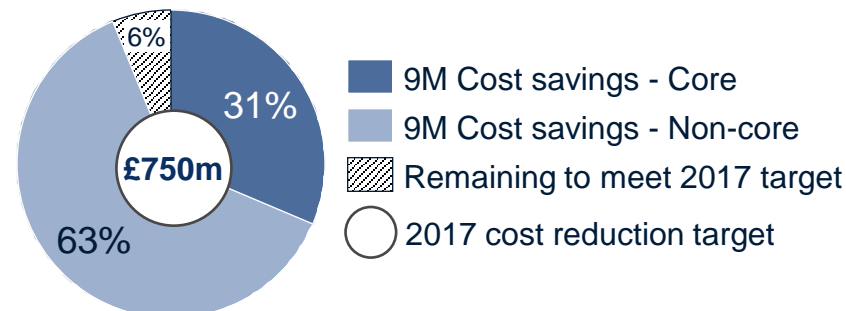
Adjusted Operating Costs⁽¹⁾ (£bn)



Cumulative Restructuring Spend (£m)



Source of adjusted cost reductions to date



- £708m cost saving for 9M 2017; 33% of the 9M cost reduction was in the Core Bank
- On track to meet £750m reduction for 2017, and all-in £6.4bn^(2,3) cost base in FY 2020

⁽¹⁾ Excluding VAT recoveries ⁽²⁾ The targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in this document and in the "Risk Factors" on pages 432 to 463 of the Annual Report and Accounts 2016. These statements constitute forward looking statements, please see Forward Looking Statements on pages 467 and 468 of the 2016 annual report ⁽³⁾ £6.4bn 2020 target is unadjusted total costs, this includes conduct and litigation and restructuring costs

Progress made on £20bn gross RWA reduction across PBB, CPB and NWM

9M 2017 change in RWA (£bn)

Group RWAs FY 2016	£228.2bn
Core gross RWA reduction	(£10.2bn)
<i>o/w PBB</i>	<i>(£0.5bn)</i>
<i>o/w CPB</i>	<i>(£6.3bn)</i>
<i>o/w NWM</i>	<i>(£3.4bn)</i>
Core volume growth	£4.7bn
Core net RWA reduction	(£5.5bn)
Capital Resolution	(£11.4bn)
Other	(£0.7bn)
Group RWAs Q3 2017	£210.6bn

- Group RWAs down by £17.6bn in 9M; Q3 reduction of £4.8bn
- Core bank gross RWAs reduced by £10.2bn in Q3; On track to achieve £20bn reduction by Q4 2018
- Capital Resolution RWAs down to £16.1bn, ex Alawwal⁽¹⁾, in line with our £15bn-£20bn guidance ex Alawwal

⁽¹⁾ Alawwal RWAs £7.0bn as at Q3 2017

Q3 2017 results by business



W&G and Capital Resolution will be transferred into Core from 01/10/17

	Core Franchises							Total Other				Total RBS
(£bn)	UK PBB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Total Core Franchises	Capital Resolution	W&G ⁽¹⁾	Central items & other ⁽²⁾	Total Other	
Adj. Income ⁽³⁾	1.5	0.2	0.9	0.2	0.1	0.4	3.3	(0.4)	0.2	0.0	(0.2)	3.2*
Adj. Operating expenses ⁽⁴⁾	(0.7)	(0.1)	(0.4)	(0.1)	(0.0)	(0.3)	(1.7)*	(0.1)	(0.1)	0.1	(0.1)	(1.8)
Impairment (losses) / releases	(0.1)	0.0	(0.2)	0.0	0.0	0.0	(0.2)*	0.1	(0.0)	(0.0)	0.1	(0.1)
Adj. operating profit ^(3,4)	0.8	0.0	0.4	0.1	0.1	0.1	1.4*	(0.4)	0.1	0.1	(0.2)	1.2
Funded Assets ⁽⁵⁾	164.5	25.1	147.3	19.9	24.3	112.7	493.8	22.2	25.6	38.4	86.2	580.0
Net L&A to Customers	140.4	19.5	96.6	13.3	9.3	16.7	295.8	8.4	20.4	0.1	28.8	324.7
Customer Deposits	154.0	17.3	98.2	27.0	24.9	7.1	328.5	6.6	24.6	0.2	31.4	359.9
RWAs	34.0	17.9	74.6	9.2	9.6	31.8	177.1	23.1	9.3	1.1	33.5	210.6
LDR	91%	113%	98%	49%	37%	236%	90%	127%	83%	n.m.	92%	90%
Adj. RoE (%) ^(3,4,5)	39%	6%	9%	14%	14%	4%	15%	n.m.	25%	n.m.	n.m.	8.2%
Adj. Cost : Income ratio (%) ^(3,4)	45%	79%	43%	60%	51%	76%	51%	n.m.	34%	n.m.	n.m.	56%

⁽¹⁾Williams and Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK. During the period presented W&G has not operated as a separate legal entity ⁽²⁾ Central items include unallocated transactions which principally comprise volatile items under IFRS and balances in relation to international private banking for Q1 2016 ⁽³⁾ Excluding own credit adjustments, gain on redemption of own debt and strategic disposals ⁽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 notional equity allocated at different rates of 14% (Ulster Bank Rol - 11% prior to Q1 2017), 11% (Commercial Banking), 14% (Private Banking - 15% prior to Q1 2017), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS, Return on equity is calculated using profit for the period attributable to ordinary shareholders. *Totals may not cast due to rounding

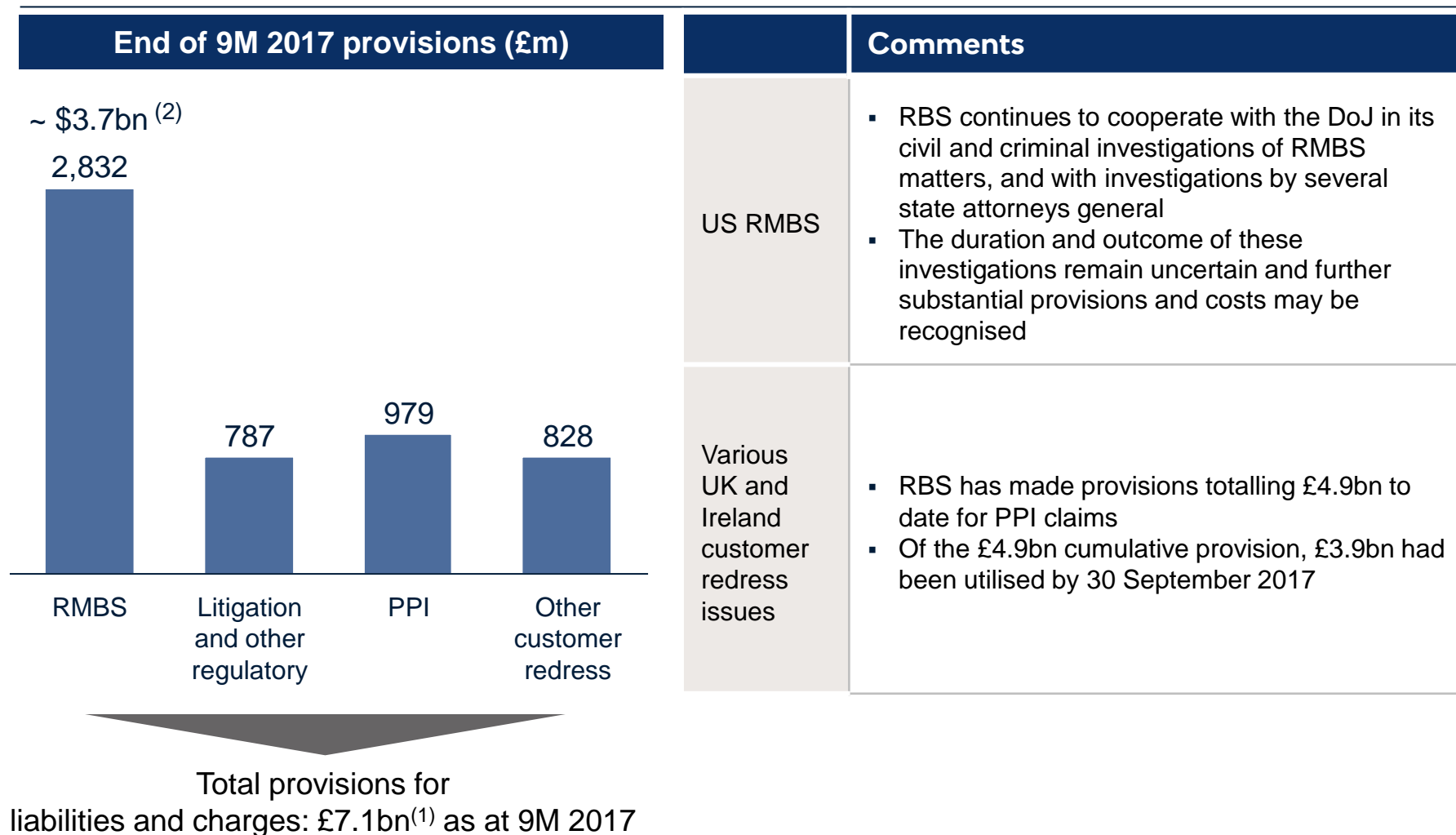
Appendix

Notable items

(£m)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total Income	3,157	3,707	3,212	3,216	3,310	3,000	3,064
Own Credit Adjustments	(5)	(44)	(29)	(114)	(156)	194	256
Gain/(Loss) on redemption of own debt	-	(9)	2	1	3	(130)	-
Strategic disposals	-	156	-	-	(31)	201	(6)
o/w Visa Gain		-	-	-	-	246	-
o/w Vocalink Gain		156					
o/w Cap Res		-	-	-	(30)	(45)	(6)
Adjusted Income	3,162	3,604	3,239	3,329	3,494	2,735	2,814
IFRS volatility in Central items	21	172	(18)	308	(150)	(312)	(356)
Property			(105)	-	-	-	-
Funding value adjustments in Capital Resolution			-	-	160	(220)	(110)
Madoff recovery in Capital Resolution			-	-	-	-	109
UK PBB Product Sale	168		8	15		4	
FX gain/(loss) in Central items	(30)	(56)	(52)	140	(44)	201	52
FX reserve gain in Central items	(37)		-	-	97		
Commercial - Disposal gain/(losses) in adjusted income	52						
Capital Resolution - Disposal gain/(losses) in adjusted income	(446)	(53)	(50)	(325)	(113)	(57)	4
Total Expenses	(2,143)	(2,399)	(2,453)	(7,354)	(2,911)	(3,509)	(2,420)
Restructuring	(244)	(213)	(577)	(1,007)	(469)	(392)	(238)
o/w Williams & Glyn	(17)	(46)	(12)	(810)	(301)	(187)	(158)
o/w NV pension settlement		-	(73)				
o/w Property	14	18	(235)	0	0	0	0
Litigation & Conduct	(125)	(342)	(54)	(4,128)	(425)	(1,284)	(31)
o/w US RMBS ⁽¹⁾		(222)	-	(3,051)	(249)		
o/w GRG			-	(400)	-		
o/w PPI			-	(201)	-	(400)	-
o/w Ulster mortgage tracker			-	(77)	-	(96)	0
Adjusted Expenses	(1,774)	(1,844)	(1,822)	(2,219)	(2,017)	(1,833)	(2,151)
o/w VAT recovery in Centre	29	-	51	-	-	227	-
Bank levy				(190)			
Impairments	(143)	(70)	(46)	75	(144)	(186)	(223)
Capital Resolution	71	33	45	130	(120)	(67)	(196)
Ulster Bank Rol	10	(13)	24	47	39	14	13
Commercial	(151)	(33)	(61)	(83)	(20)	(89)	(14)

(1) Of which £151m FHFA

Litigation and conduct



⁽¹⁾ Includes 'Other' provisions as per Note 2 of the Q3 2017 IMS ⁽²⁾ Includes Nomura \$383m

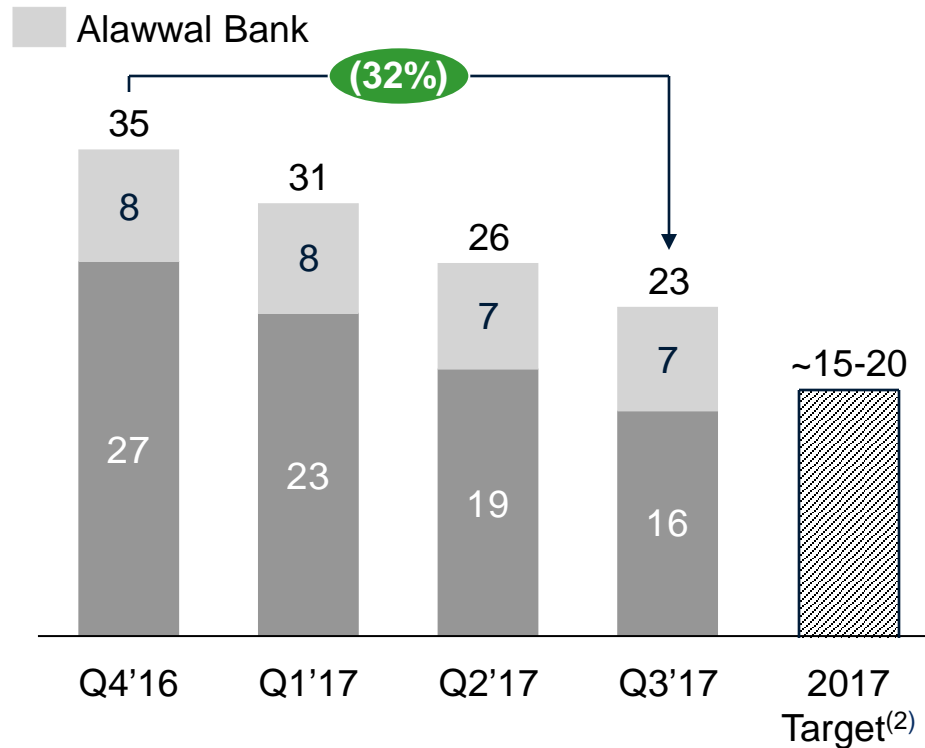
Tangible Net Asset Value (TNAV) movements

	£m	Shares in issue (m)	TNAV per share	£m	Shares in issue (m)	Diluted TNAV per share
Q2 2017 TNAV	35,682	11,876	300	35,682	11,956	298
Profit for the period post tax ⁽¹⁾	610		5p	610		5p
Less: profit to NCI / other owners	(214)		(2p)	(214)		(2p)
Other comprehensive income	(336)		(3p)	(336)		(3p)
<i>o/w AFS</i>	8		-	8		-
<i>o/w Cashflow hedging gross of tax</i>	(372)		(3p)	(372)		(3p)
<i>o/w FX</i>	(21)		-	(21)		-
<i>o/w Remeasurement of net defined pension liability</i>	-		-	-		-
<i>o/w OCA</i>	(30)		-	(30)		-
<i>o/w Tax</i>	79		1p	79		1p
Less: OCI attributable to NCI / other owners	11		-	11		-
Proceeds of share issuance	77	29	1p	77	29	1p
Redemption of paid in equity (FX unlocking)	(196)		(2p)	(196)		(2p)
Other movements ⁽²⁾	(13)		-	(13)	(35)	1p
Q3 2017 TNAV	35,621	11,905	299	35,621	11,950	298

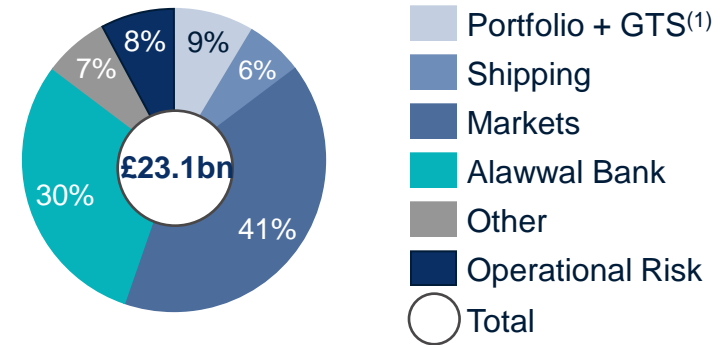
⁽¹⁾ Profit for the period is pre non controlling interests and other owners dividends and excludes write-down of goodwill and other intangible assets. ⁽²⁾ Other reserve movements including intangibles

Continued reduction of Capital Resolution RWAs

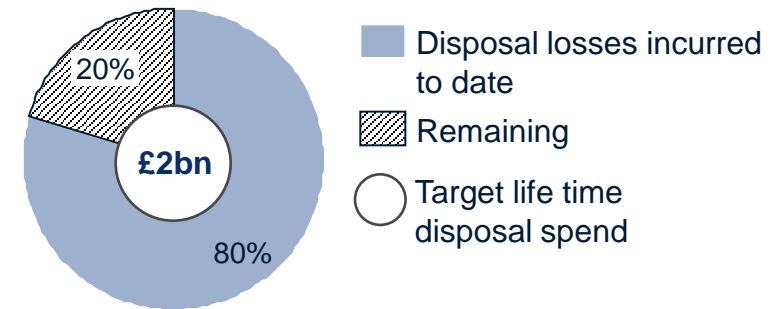
RWAs (£bn)



Q3 2017 split of RWAs



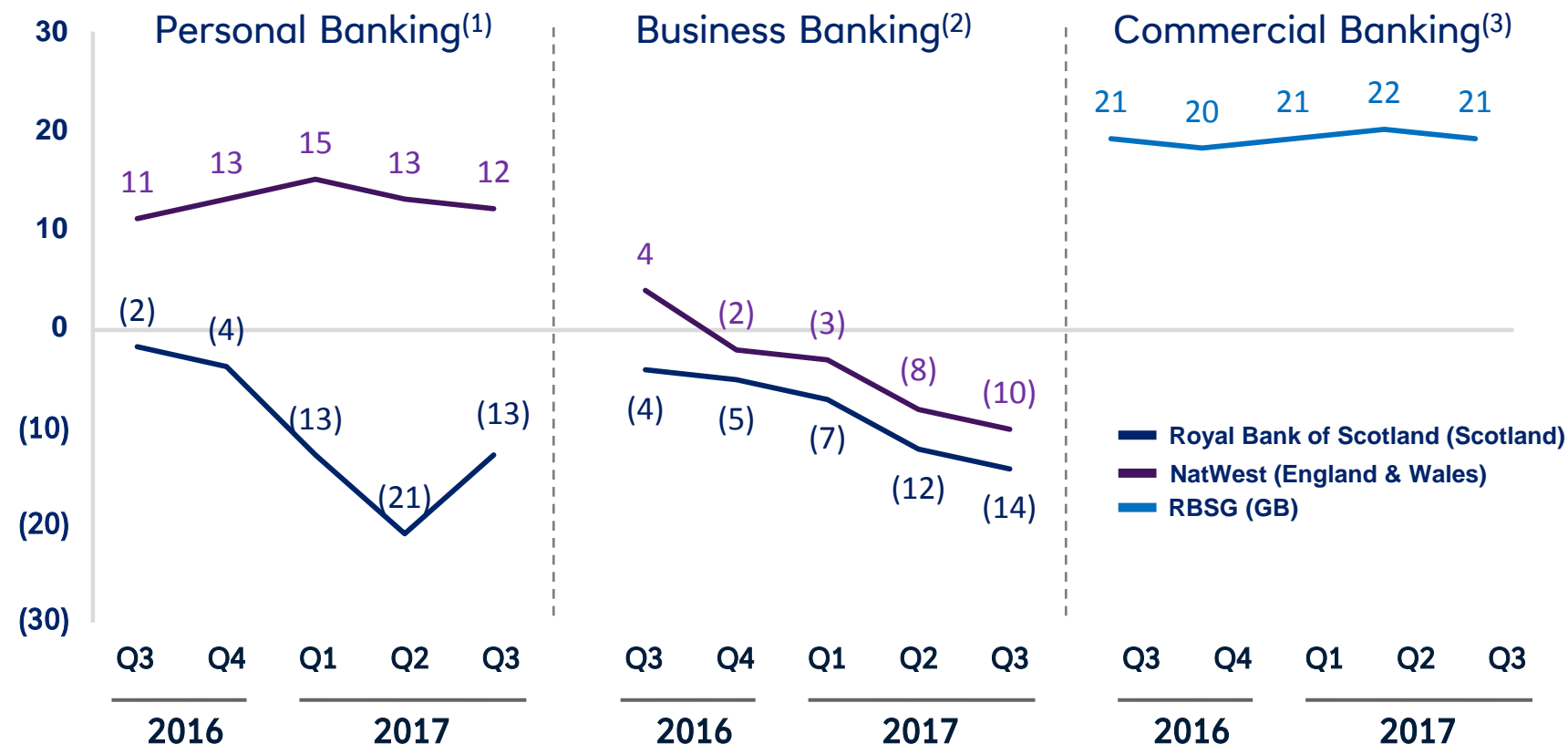
Disposal spend vs. target



- On track to wind up Capital Resolution by year end; Q3 will be the last quarter of separate reporting, expect FY 2017 RWAs target to be at the lower end of our previous guidance of £15-20bn (ex Alawwal)
- Continue to anticipate £2bn lifetime disposal losses; £1.6bn incurred to date

⁽¹⁾ Loan portfolios include APAC, EMEA, Americas and Legacy ⁽²⁾ 2017 target excludes the disposal of Alawwal Bank, £7.0bn RWAs at Q3 2017

Net Promoter Scores across our core businesses



(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3357) Royal Bank of Scotland (Scotland) (510). 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 Q3 2017. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: NatWest England & Wales (1291), RBS Scotland (434). 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 Q3 2017. Commercial £2m+ in GB (RBSG sample size, excluding don't knows: 913). 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.

Forward Looking Statements

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 business; 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 2016 Annual Report on Form 20-F, its interim results for the six-months ended 30 June 2017 on form 6-K and other materials filed with, or furnished to, the US Securities and Exchange Commission, 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 (including active civil and criminal investigations) 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 the vote to leave in the EU Referendum 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 transformation programme, particularly the proposed further restructuring of the NatWest Markets business, 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 exposure of RBS to cyber-attacks and its ability to defend against such attacks; RBS's ability to achieve its capital 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 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 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; 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 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.

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