

FY 2018 Results

15th February 2019

Howard Davies Chairman



Ross McEwan

Chief Executive Officer



Key messages



Good financial performance in an uncertain and highly competitive environment



Resuming capital distributions – proposal to pay a 3.5p Final Year and 7.5p Special Dividend



Supporting customers through Brexit uncertainty



Investing in innovation to deliver a better service for customers



Further progress with our strategic plan

Group financial performance

Costs down

£278m

cost reduction in FY'18⁽¹⁾
down 3.6%, on FY'17

4k fewer FTEs

down 6% on FY'17

Consistent profitability

£3.4bn

FY'18 Operating profit
before tax
up 50% on FY 2017

£1.6bn

FY'18 Attributable profit
more than double FY 2017

£286m

Q4'18 Attributable profit
first in 8 years

Strong capital delivering returns

4.8%

RoTE FY'18
up from 2.2% in FY'17

10.9%⁽²⁾

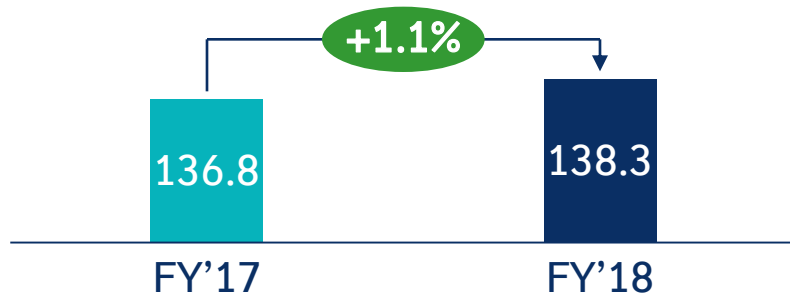
RoTE FY'18
excluding strategic costs and
litigation and conduct costs

16.2%

CET1 ratio FY'18⁽³⁾
240bps in year capital
generation

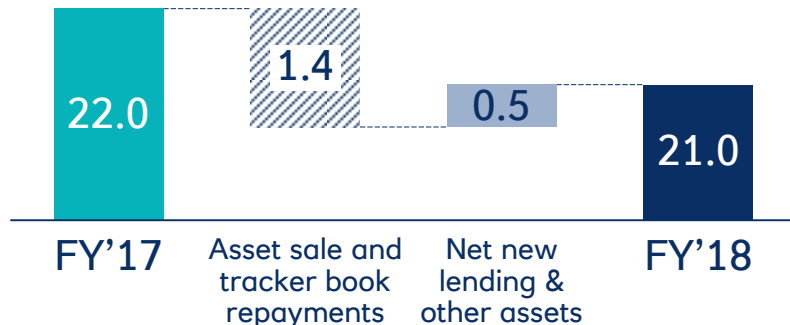
Supporting customers through targeted lending growth

Gross Loans - Mortgages UK PBB (£bn)



- Stable average stock LTV 56% in UK PBB
- Credit Card exposure remains low at 2% of UK PBB Gross Lending

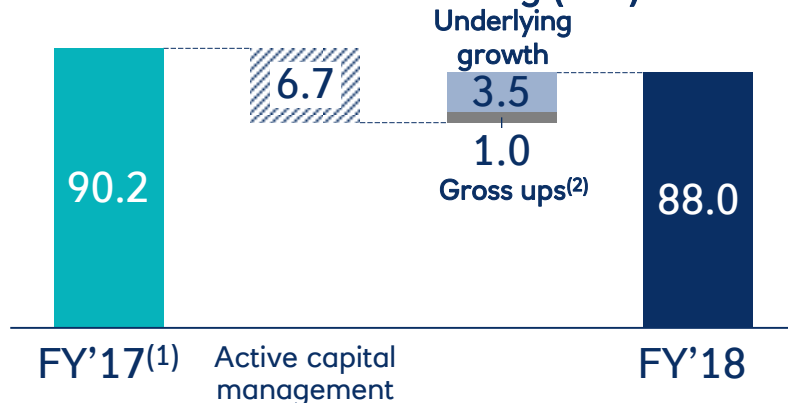
Net Loans - Mortgages Ulster ROI (£bn)



- Ulster RoI NPL Portfolio reduced by 41% in past two years
- Ulster RoI New Mortgage lending up 13% on FY'17

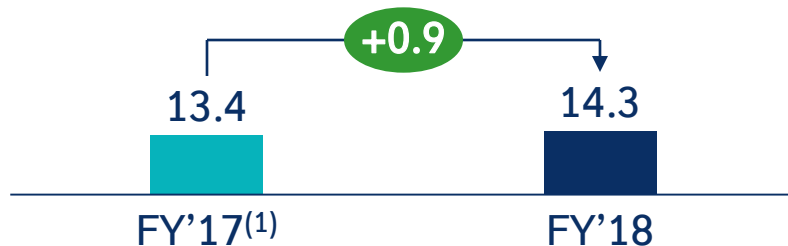
Supporting customers through targeted lending growth

Net Loans - Commercial Banking (£bn)



- Growing lending with a lower RWA intensity
- Active capital management has removed lending which flares under stress

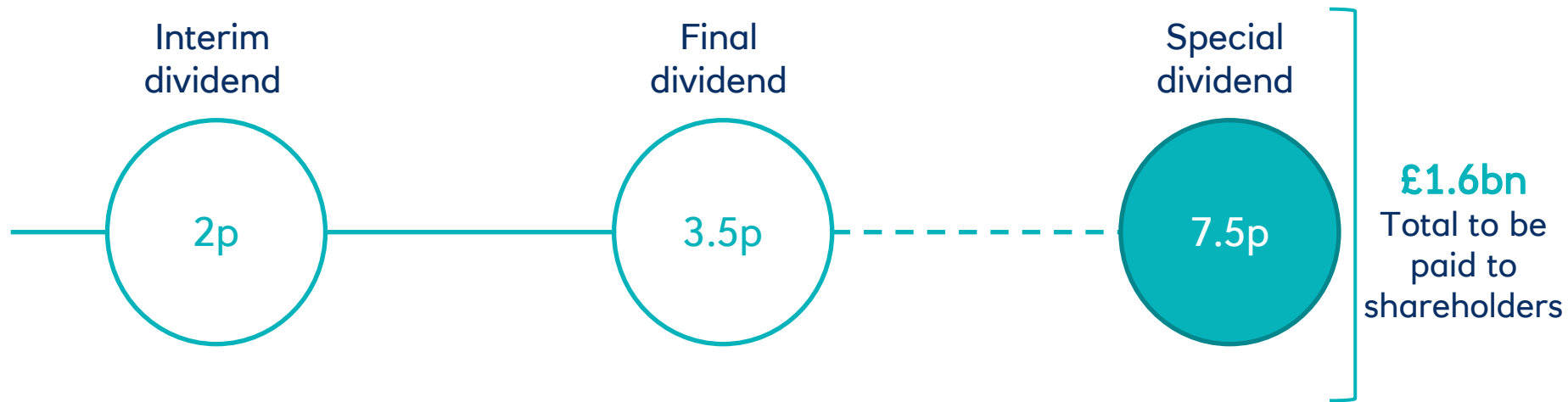
Net Loans - Private Banking (£bn)



- 15.4% FY'18 Return on equity
- Achieved targets a year ahead of plan

(1) Like for like FY'17 - including net impact of transfers and reclassifications due to IFRS9. (2) The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities, but where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented gross

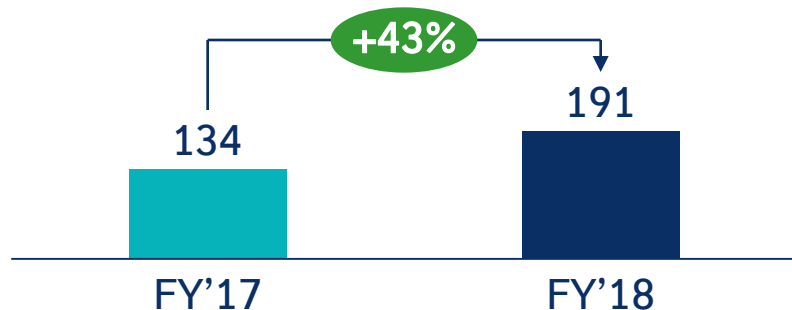
Generating returns for shareholders, from a strong capital position



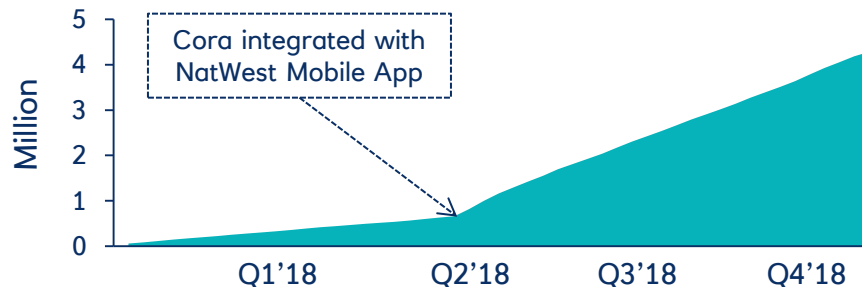
- Approval from shareholders to have the option to buyback up to 4.99% of the bank's issued share capital from the UK Government
- Progressing towards a c.14% CET 1 capital ratio at the end of 2021

Customers continue to shift to digital channels

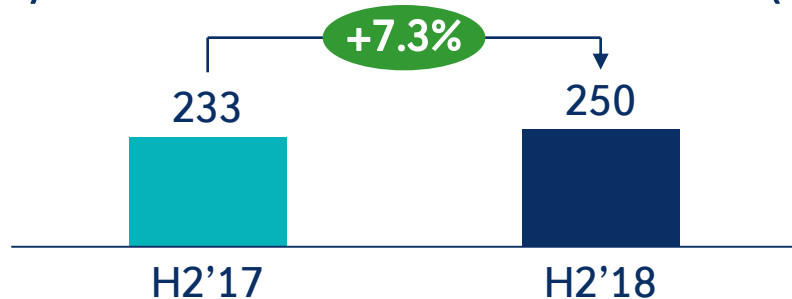
Payments through mobile (m)



Conversations with Cora



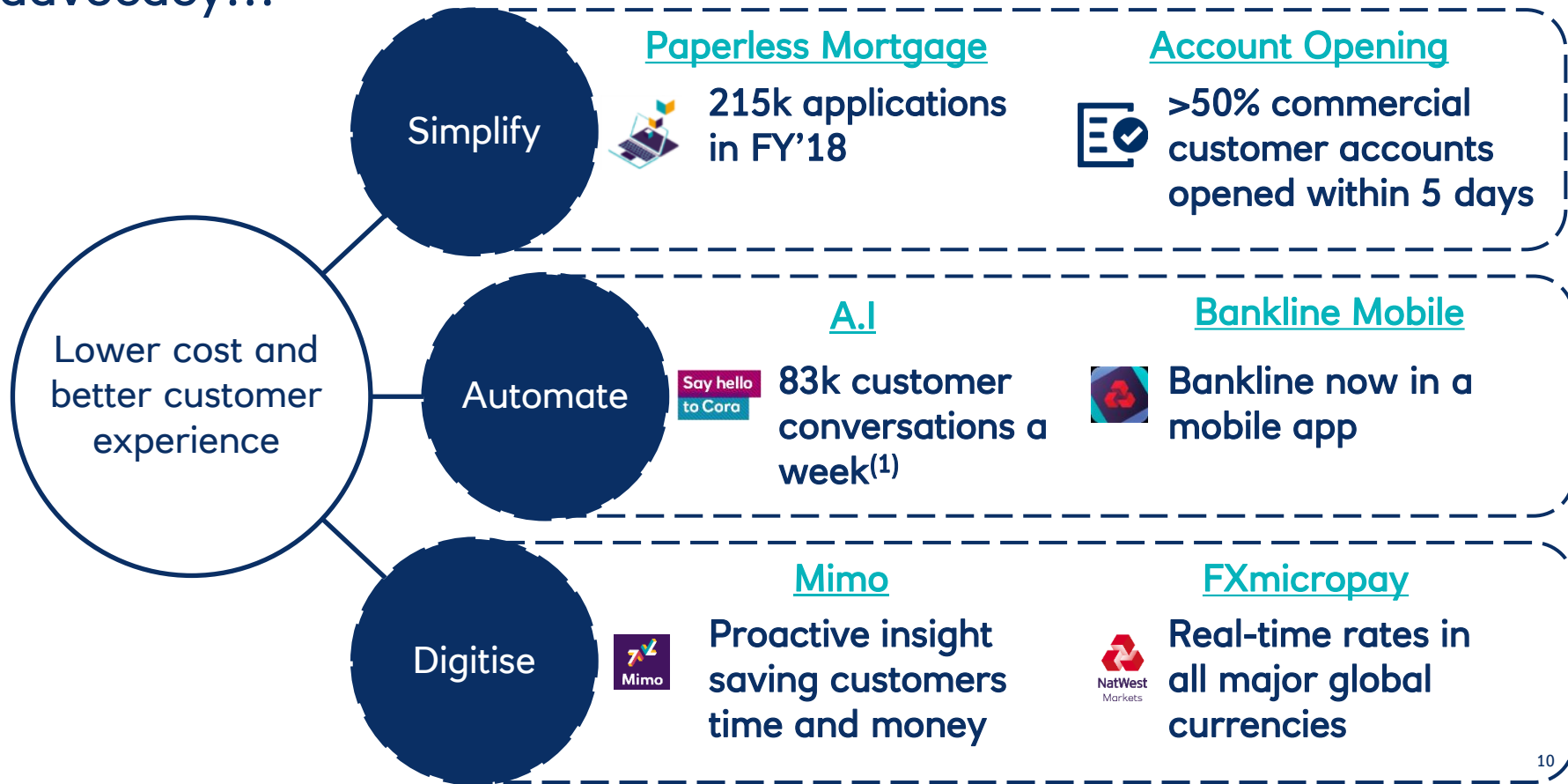
Payments via Bankline and Direct Channels⁽¹⁾ (£bn)



- ✓ Award winning NatWest Mobile App
- ✓ Upgraded Bankline, reduction in time to make payments by c.30%
- ✓ A.I. transforming customer service and lowering costs

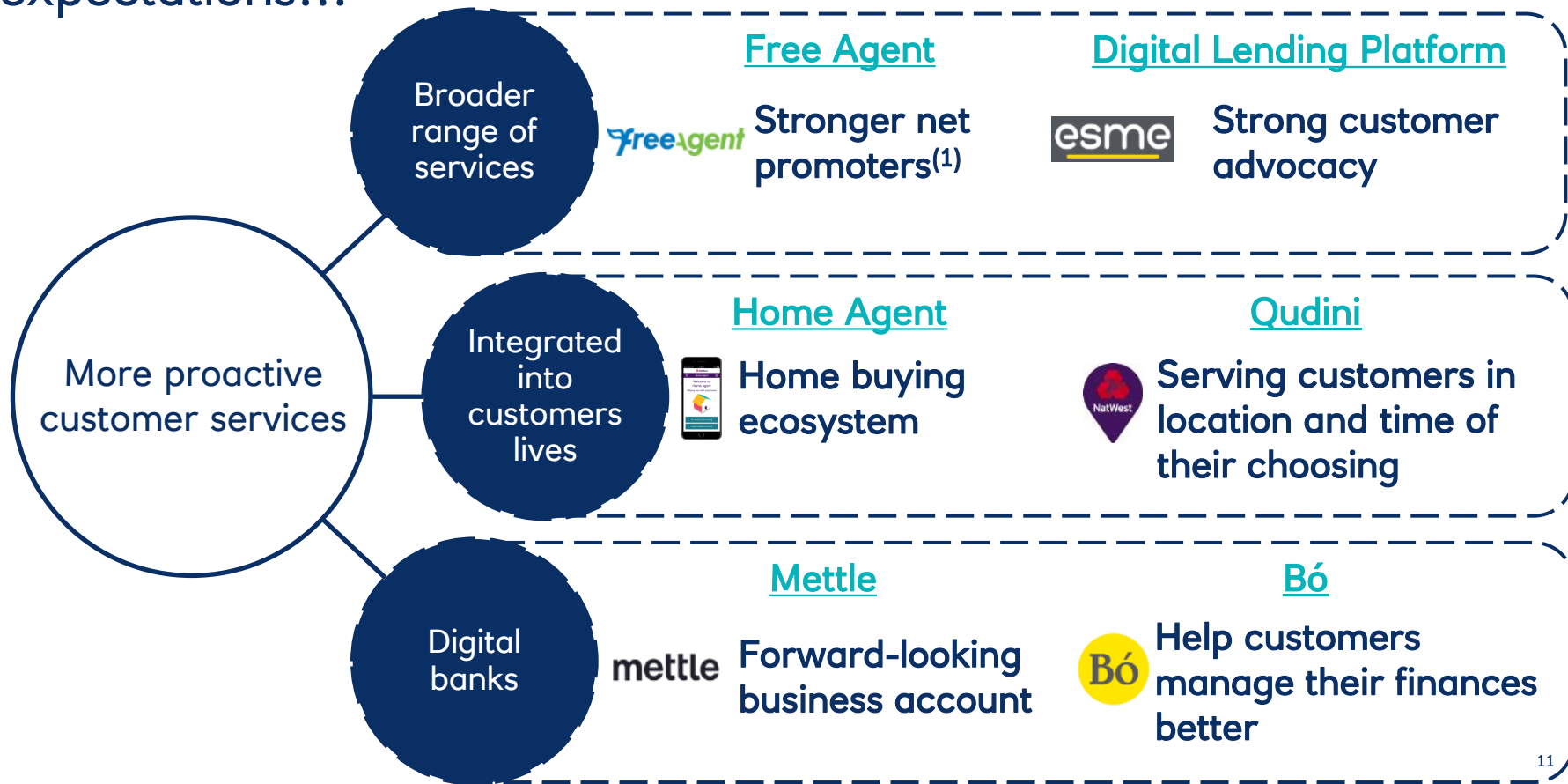
⁽¹⁾ Average monthly payment value across Bankline and Direct channels for all brands

Transforming the core to drive improved customer advocacy...



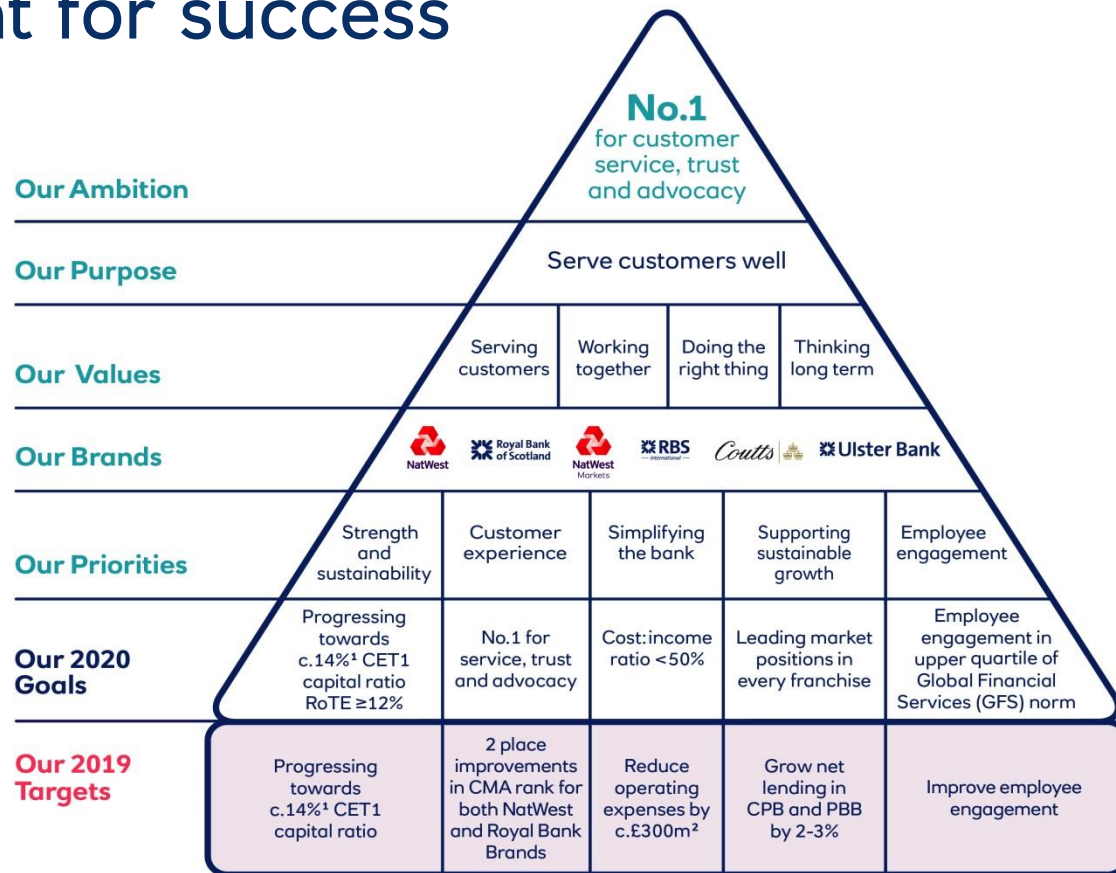
(1) Average weekly queries received in 2018

Innovating outside the core to meet rising customer expectations...



(1) Following adoption of Free Agent, average customer NPS is 25 points higher than customers without Free Agent

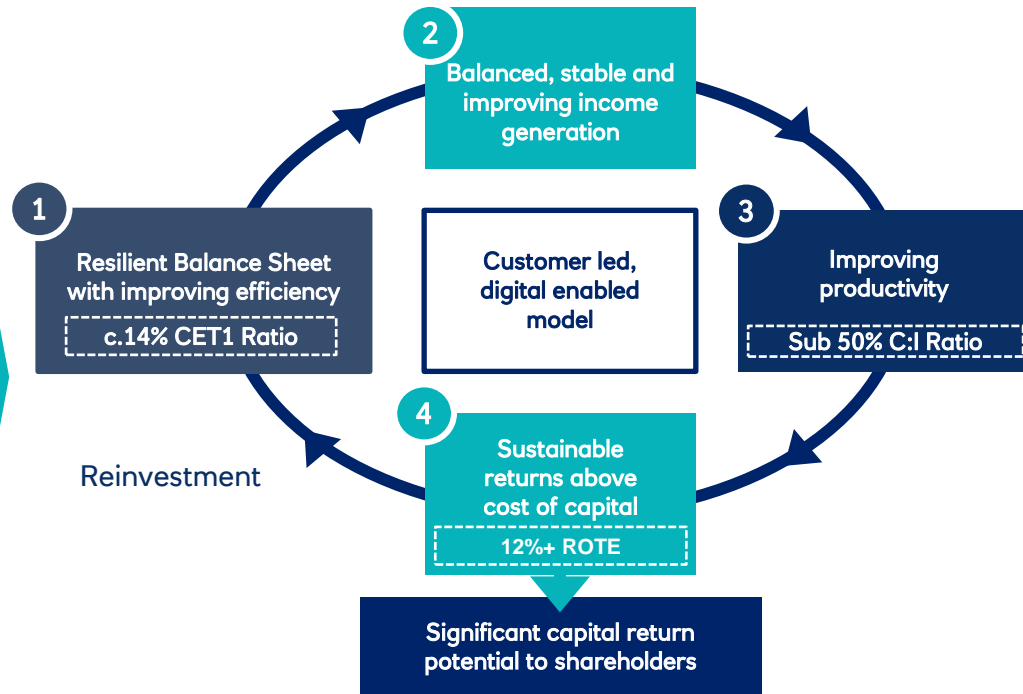
Blueprint for success



Notes: (1) c.14% at the end of 2021, previous target stated as >13%.
(2) Excluding strategic costs and conduct and litigation costs.

Investment case⁽¹⁾

- A leading UK Retail and Commercial Bank with strong non-ring-fenced banks in NatWest Markets and RBS International.
- Strong brands and market positions
- Growing in attractive chosen markets
- Track record of cost and risk reduction – sub 50% C:I ratio
- Improving returns and capital generation – 12%+ ROTE
- Resilient balance sheet – c.14% CET1 Ratio
- Significant distribution potential



(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 255 to 265 of the Annual Report and Accounts 2018. These statements constitute forward looking statements, please see Cautionary & Forward Looking Statements at the end of this presentation.

Katie Murray

Chief Financial Officer



FY 2018 update on progress

Resilient income

- ✓ Income remained **stable** (ex notable items, Natwest Markets and central items)
- ✗ Core NWM franchise income down 24% YoY⁽¹⁾

Continuing cost reduction

- ✓ Reduced costs by **£278m⁽²⁾** in 2018, with increased investment spend

Actively managing capital

- ✓ RWA reduction **£12bn**; exceeded £191-196bn guidance

Delivering capital returns

- ✓ **240bps** underlying capital built in the year
- ✓ CET1 ratio **16.2%** (proforma 16.0% for IFRS 16)
- ✓ Proposed a final dividend of **3.5p** and a special dividend of **7.5p**
- ✓ Ordinary dividend pay-out ratio already built to c.40% of attributable profits

⁽¹⁾ NatWest Markets Core Income excluding Own credit adjustments. "NWM" throughout this presentation refers to Natwest Markets franchise. ⁽²⁾ Excluding one-off VAT release in 2017.

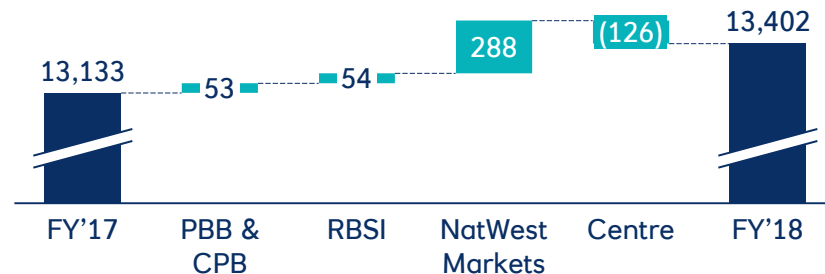
Summary financials

vs. FY 2017

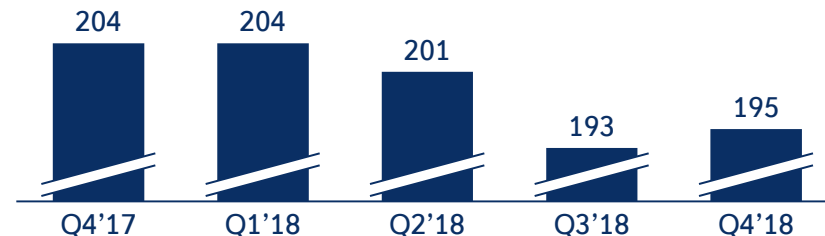


Income	↑ £13.4bn 2%
Operating expenses	↓ £9.6bn (7)%
Operating profit	↑ £3.4bn 50%
Attributable profit	↑ £1.6bn 116%
Net interest margin (FY)	↓ 1.98% (15bps)
CET1 ratio (post dividend)	↑ 16.2% 30bps
TNAV per share ⁽²⁾	↓ 286p (6p)
RoTE	↑ 4.8% 260bps
Cost:Income ratio	↓ 71.7% (7ppts)

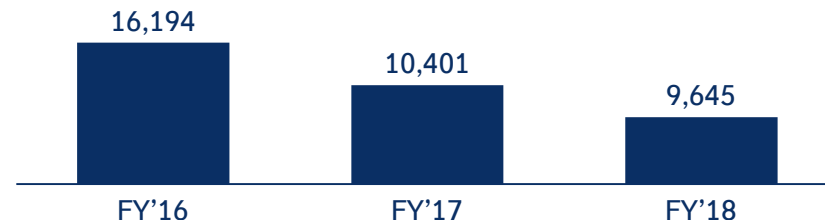
Income (£m)⁽¹⁾



NIM (bps)



Costs (£m)



⁽¹⁾Adjusted for the impact transfers. ⁽²⁾TNAV per ordinary share on a fully diluted basis.

Income

Resilient income⁽¹⁾ across PBB, CPB and RBSI



£m	Q3'18	Q4'18	£m	%
UK PBB	1,564	1,557	(7)	(0%)
Ulster	151	147	(4)	(3%)
Commercial	787	805	18	2%
Private	195	198	3	2%
RBSI	157	155	(2)	(1%)
NWM	569	152	(417)	(73%)
Central Items	219	44	(175)	(80%)
Total	3,642	3,058	(584)	(16%)



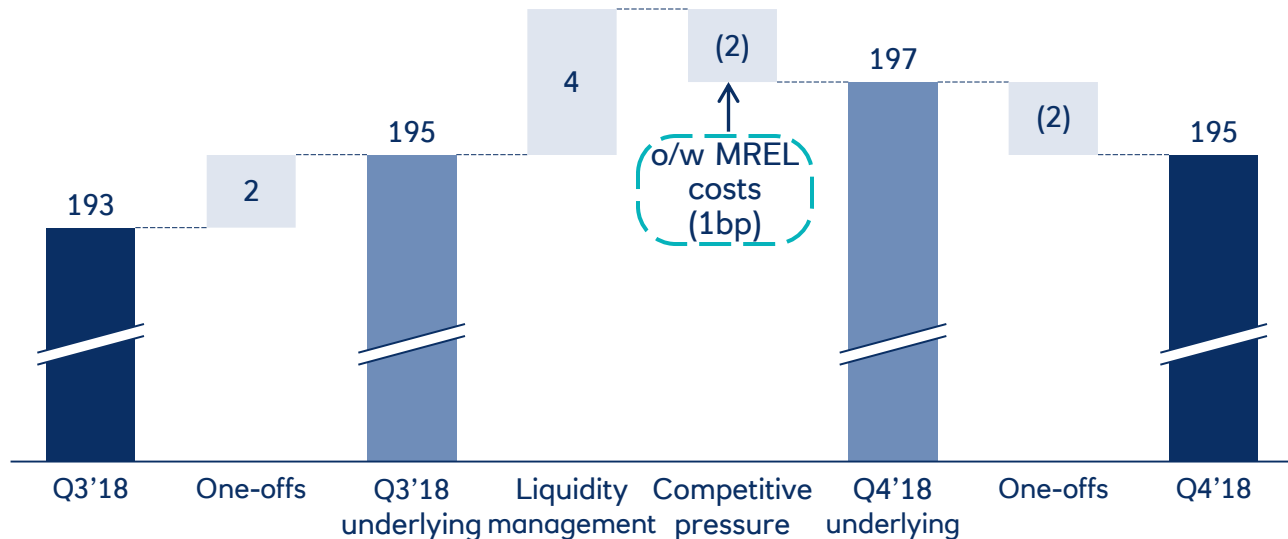
Future considerations

- Structural Hedge
- Lending growth in PBB, CPB & RBSI
- W&G EC remedy
- Economic uncertainty
- Competitive pressures

⁽¹⁾ Adjusted for the impact of transfers.

Net Interest Margin Q4 2018 vs. Q3 2018

NIM (bps)



Future Considerations

- Rate sensitivity
- Reduction in liquidity
- Asset and liability pressures
- Economic uncertainty

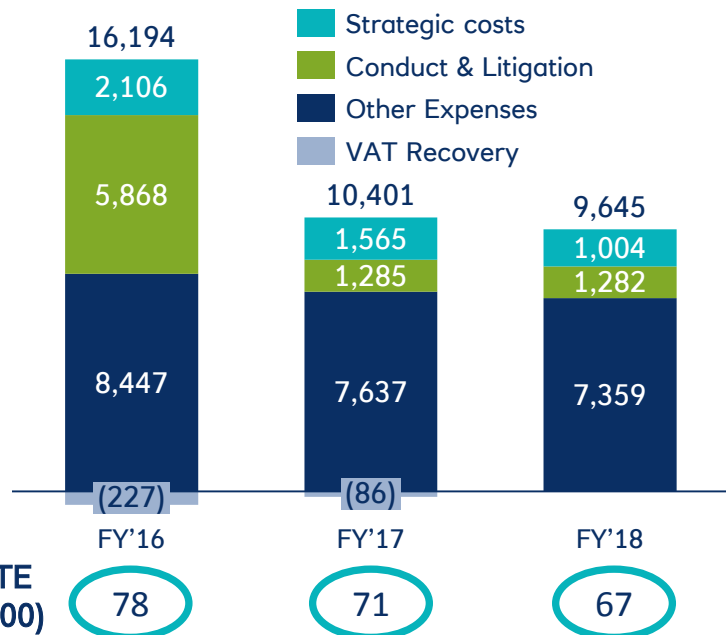
AIEAs

£443bn

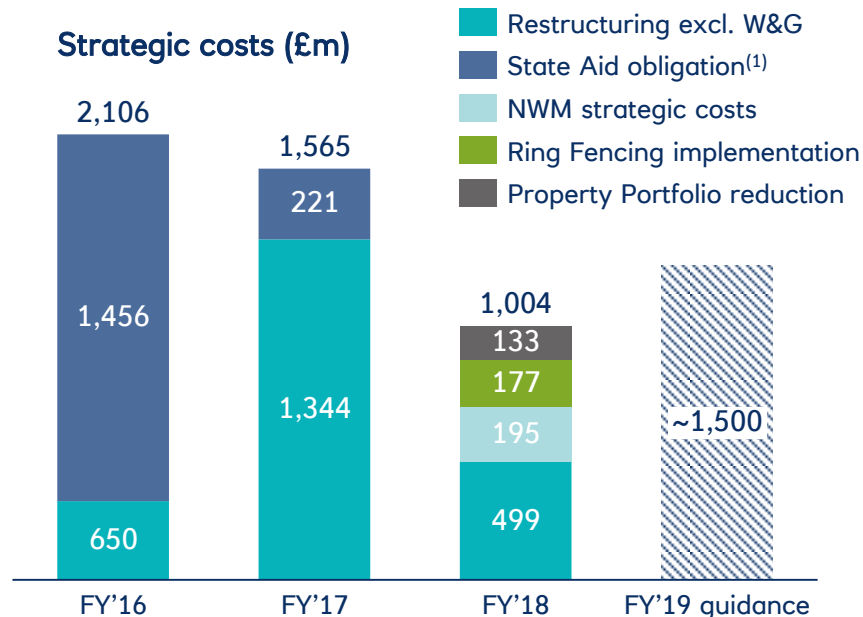
£442bn

Cost reduction

Operating costs (£m)



Strategic costs (£m)



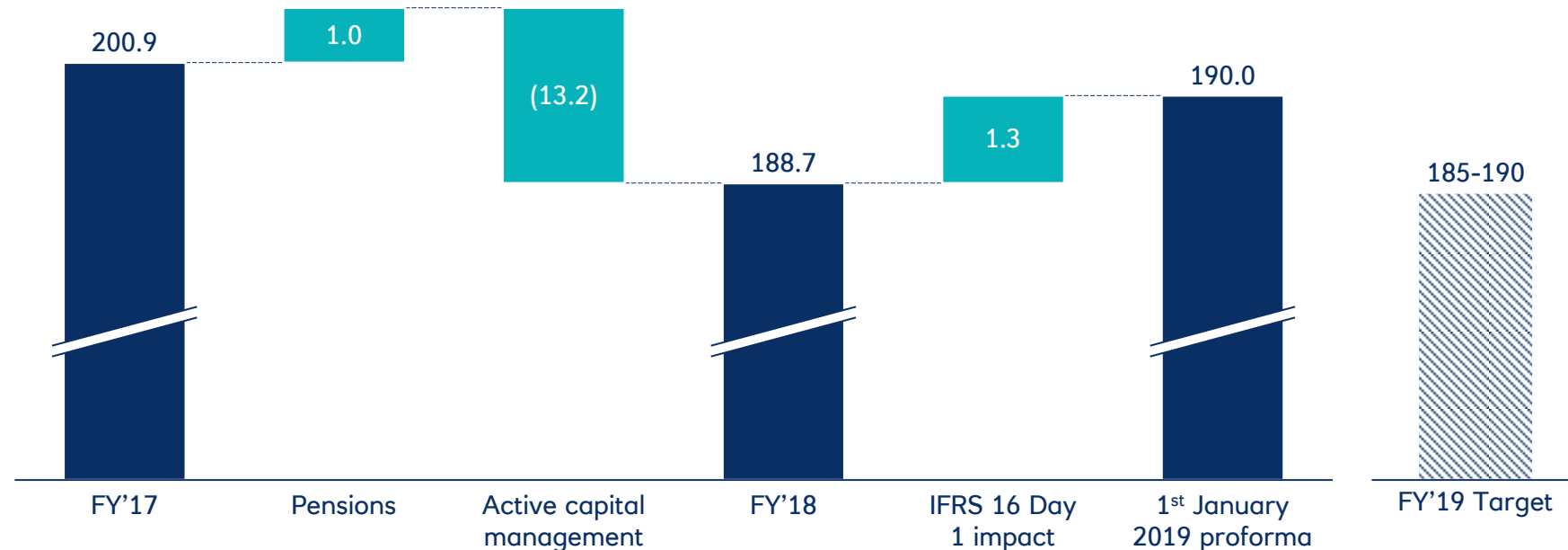
- £278m cost reduction in 2018
- £4.2bn⁽²⁾ cost take out over 5 years

⁽¹⁾ In connection with the business previously described as Williams & Glyn. ⁽²⁾ £4.2bn cost take out includes £0.4bn which is made up of the benefit of lower intangible asset write-offs of 2013-£344m, 2014-£146m as well as the year on year benefit of FX.

Active capital management

Continued planned RWA reductions

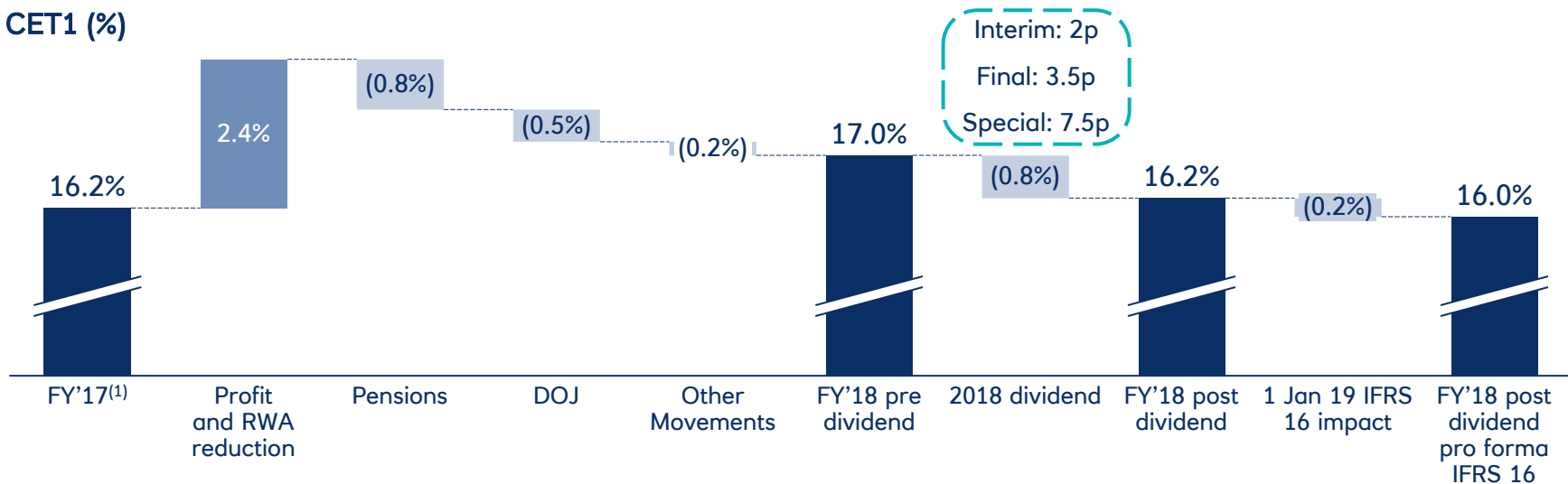
RWAs (£bn)



Capital generation

Strong capital build

CET1 (%)



- Ordinary dividend pay-out ratio already built to c.40% of attributable profits: Interim dividend 2p, final dividend 3.5p, special dividend 7.5p
- In a position to do a Directed Buyback of Government shares should such the opportunity arise. Amount capped at 4.99% of market capitalisation over a rolling 12 month period

⁽¹⁾ Includes 30bp uplift for IFRS 9 day 1 impact.

Outlook⁽¹⁾

2019 Targets	<ul style="list-style-type: none"> ▪ Reduce other expenses by c.£300m ▪ Strategic costs ~£1.5bn ▪ RWAs £185-190bn range
2020 Targets	<ul style="list-style-type: none"> ▪ Cost:income ratio <50% ▪ Risks to the downside reflect the ongoing economic and political uncertainty and additional costs associated with ring-fencing and Brexit ▪ Expected RWA inflation: <ul style="list-style-type: none"> - BoE mortgage floors £10.5bn in 2020 - Expect the overall impact of Basel 3 amendments to be in the range of 5-10%, phased across 2021 to 2023 ▪ NWM franchise RWA guidance to £39bn by 2020 ▪ RoTE target 12%+
CET1 ratio to be c.14% at the end of 2021	

⁽¹⁾ Please see the Cautionary & Forward Looking Statements on the last page of this presentation.

Summary



Good results set against a highly competitive environment



Bottom-line profit more than doubled vs. FY'17



Continuing cost reduction



Very strong capital generation



Substantial clean-up of our balance sheet complete



Resumed returning capital to shareholders

Q&A



Appendix



Digital dashboard

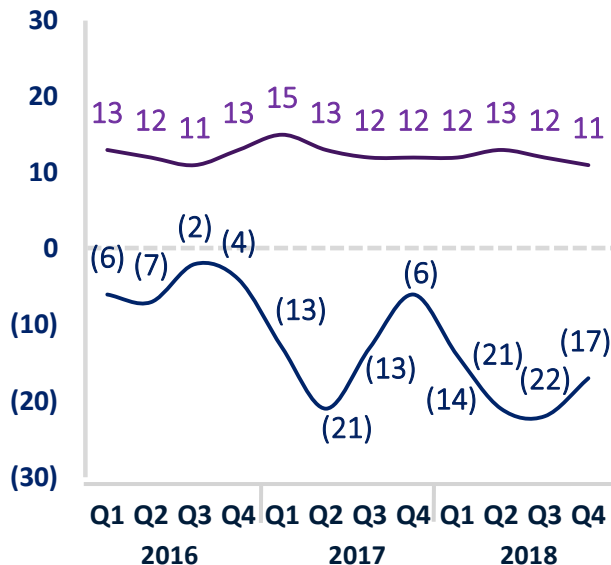
Volume of transactions (m)	FY'17	FY'18	Percentage change
Physical is reducing			
Branch Transactions ¹	165	132	↓ 20%
Cheque Usage	258	211	↓ 18%
Contact centre calls	22	20	↓ 11%
Digital is increasing			
Mobile:			
Payments	134	191	↑ 43%
Users	5.5	6.4	↑ 16%
App log ins	1,968	2,302	↑ 17%
Digital sales in UKPBB	1.06	1.25	↑ 19%
Cora conversations	0.2	4.3	↑ 4.1m
Commercial customers interacting digitally	~82%	~85%	n/a

(1) On Jan-Nov 2018, to Jan-Nov 2017.

Net Promoter Scores across our brands

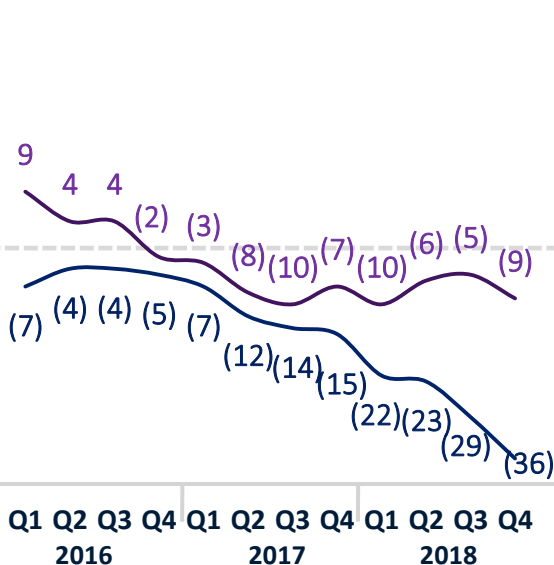
Personal Banking⁽¹⁾

NatWest remains stable. Branch closures impacting Royal Bank of Scotland.



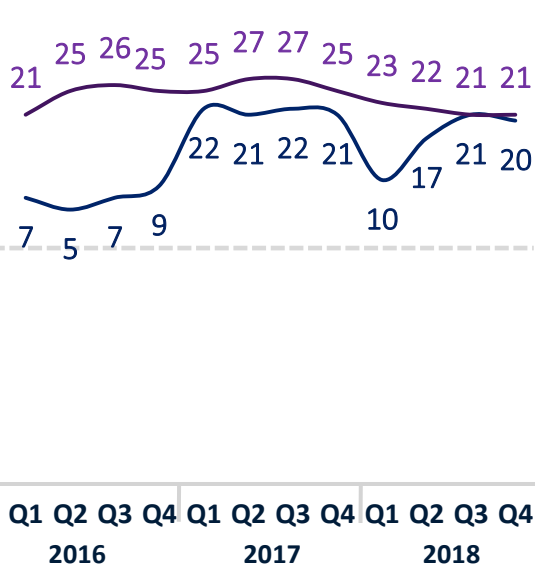
Business Banking⁽²⁾

Operating model changes impacting customer advocacy



Commercial Banking⁽³⁾

NatWest ahead of the rest of the market



— Royal Bank of Scotland — NatWest

(1) NatWest and Royal Bank of Scotland data sourced from Ipsos MORI FRS using 6 month rolling data. Latest base sizes: 3,111 for NatWest (England & Wales); 421 for Royal Bank of Scotland (Scotland). 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 2018. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: 1134 for NatWest (England & Wales), 455 for Royal Bank of Scotland (Scotland). 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 2018. Based on interviews with businesses with an annual turnover over £2 million. Latest base sizes: 558 for NatWest (England & Wales), 103 for Royal Bank of Scotland (Scotland). 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.

Q4 2018 results by business

(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	Total RBS
Income	1.6	0.1	0.8	0.2	0.2	0.2	0.0	3.1
Operating expenses	(0.9)	(0.2)	(0.6)	(0.1)	(0.1)	(0.5)	(0.1)	(2.5)
Impairment (losses) / releases	(0.1)	0.0	(0.0)	0.0	0.0	0.1	0.0	(0.0)
Operating profit	0.5	0.0	0.2	0.1	0.1	(0.2)	(0.1)	0.6
Funded Assets	194.2	25.2	143.2	22.0	28.4	111.4	36.5	560.9
Net L&A to Customers (amortised cost)	162.3	18.8	88.0	14.3	13.3	8.4	0.0	305.1
Customer Deposits	184.1	18.0	95.6	28.4	27.5	2.6	4.7	360.9
RWAs	45.1	14.7	67.6	9.4	6.9	44.9	0.1	188.7
LDR	88%	105%	92%	50%	49%	n.m.	n.m.	85%
ROE (%)⁽²⁾	18.6%	0.4%	5.5%	12.3%	20.0%	(9.2%)	n.m.	3.5%
Cost : Income ratio (%)⁽³⁾	60.4%	111.6%	70.9%	72.2%	55.5%	n.m.	n.m.	80.5%

⁽¹⁾ Central items & other include unallocated transactions which principally comprise RMBS related charges. ⁽²⁾ RBS's CET 1 target is 14% 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 RoI), 11% (Commercial Banking), 13.5% (Private Banking), 16% (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. ⁽³⁾ Operating lease depreciation included in income for the year ended 31 December 2018 - £121 million; Q4 2018 - £32 million.

FY 2018 results by business

(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	Total RBS
Income	6.3	0.6	3.4	0.8	0.6	1.4	0.3	13.4
Operating expenses	(3.5)	(0.6)	(1.9)	(0.5)	(0.3)	(1.6)	(1.4)	(9.6)
Impairment (losses) / releases	(0.3)	(0.0)	(0.1)	0.0	0.0	0.1	0.0	(0.4)
Operating profit	2.5	0.0	1.4	0.3	0.3	(0.1)	(1.0)	3.4
Funded Assets	194.2	25.2	143.2	22.0	28.4	111.4	36.5	560.9
Net L&A to Customers (amortised cost)	162.3	18.8	88.0	14.3	13.3	8.4	0.0	305.1
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LDR	88%	105%	92%	50%	49%	n.m.	n.m.	85%
ROE (%)⁽²⁾	24.3%	0.5%	10.2%	15.4%	24.4%	(2.0%)	n.m.	4.8%
Cost : Income ratio (%)⁽³⁾	55.4%	95.6%	53.8%	61.7%	43.8%	111.2%	n.m.	71.7%

⁽¹⁾ Central items & other include unallocated transactions which principally comprise RMBS related charges. ⁽²⁾ RBS's CET 1 target is 14% 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 RoI), 11% (Commercial Banking), 13.5% (Private Banking), 16% (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. ⁽³⁾ Operating lease depreciation included in income for the year ended 31 December 2018 - £121 million; Q4 2018 - £32 million.

Notable items: Income

(£m)	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Income	13,402	3,058	3,642	3,400	3,302	13,133	3,057	3,157	3,707	3,212
IFRS volatility in Central items	(59)	(25)	77	17	(128)	2	(173)	21	172	(18)
Insurance Indemnity	357	85	272	-	-	-	-	-	-	-
o/w Natwest Markets	165	-	165	-	-	-	-	-	-	-
o/w Centre	192	85	107	-	-	-	-	-	-	-
UK PBB Debt Sale	61	35	-	-	26	185	9	168	-	8
FX (loss)/gain in Central items	(46)	(39)	(11)	19	(15)	(183)	(8)	(67)	(56)	(52)
Commercial Fair Value and Disposal (loss)/gain in income	169	(10)	(13)	115	77	6	(46)	52	-	-
NatWest Markets Legacy Business Disposal (loss)/gain in income ⁽¹⁾	(86)	(43)	14	(41)	(16)	(712)	(163)	(446)	(53)	(50)
Own Credit Adjustments	92	33	20	18	21	(69)	9	(5)	(44)	(29)
Gain / (Loss) on redemption of own debt						(7)			(9)	2
Strategic disposals	-	-	-	-	-	347	191	-	156	-
o/w Vocalink Gain	-	-	-	-	-	156	-	-	156	-
o/w Euroclear Gain ⁽¹⁾	-	-	-	-	-	161	161	-	-	-
Notable Items in Total Income - Total	488	36	359	128	(35)	(431)	(181)	(277)	166	(139)

⁽¹⁾ 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 NatWest Markets legacy business disposal losses through income, but forms part of overall NatWest Markets legacy business disposal losses.

Notable items: Expenses

(£m)	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Expenses	(9,645)	(2,469)	(2,441)	(2,724)	(2,011)	(10,401)	(3,406)	(2,143)	(2,399)	(2,453)
VAT recovery in Centre	-	-	-	-	-	86	6	29	-	51
Bank Levy	(179)	(179)	-	-	-	(215)	(215)	-	-	-
o/w UK PBB	(54)	(54)	-	-	-	(33)	(33)	-	-	-
o/w Ulster Bank Rol	-	-	-	-	-	(1)	(1)	-	-	-
o/w Commercial	(59)	(59)	-	-	-	(91)	(91)	-	-	-
o/w Private	(18)	(18)	-	-	-	(18)	(18)	-	-	-
o/w RBSI	(18)	(18)	-	-	-	(14)	(14)	-	-	-
o/w NatWest Markets	(27)	(27)	-	-	-	(28)	(28)	-	-	-
o/w Central items	(3)	(3)	-	-	-	(30)	(30)	-	-	-
Strategic Costs	(1,004)	(355)	(299)	(141)	(209)	(1,565)	(531)	(244)	(213)	(577)
Litigation & Conduct	(1,282)	(92)	(389)	(782)	(19)	(1,285)	(764)	(125)	(342)	(54)
o/w US RMBS	(823)	-	(21)	(803)	1	(664)	(442)	-	(222)	-
o/w DOJ	(1,040)	-	-	(1,040)	-	-	-	-	-	-
o/w Nomura RMBS Litigation Indemnity Recovery	241	-	-	241	-	-	-	-	-	-
o/w PPI	(200)	-	(200)	-	-	(175)	(175)	-	-	-
o/w RBS's treatments of SME's ¹	(50)	(50)	-	-	-	-	-	-	-	-
o/w Ulster Bank Rol	(71)	(17)	(37)	(8)	(9)	(169)	(135)	(1)	(33)	-
Notable Items in Total Expenses – Total	(2,465)	(626)	(688)	(923)	(228)	(2,979)	(1,504)	(340)	(555)	(580)

⁽¹⁾ For further information please see pg. 235 of the 2018 ARA.

Diluted Tangible Net Asset Value (TNAV) movements



	Amount (£m)	Shares in issue (m)	TNAV per share (p)	Amount (£m)	Diluted shares in issue (m)	Diluted TNAV per share (p)
FY 2017 TNAV	35,164	11,965	294	35,164	12,031	292
IFRS9 day 1 adj	(71)		(1)	(71)		(1)
Profit for the period post tax	2,084		17	2,084		17
Less: profit to NCI / other owners	(462)		(4)	(462)		(4)
Less: Ordinary dividend	(241)		(2)	(241)		(2)
Other comprehensive Income	(1,292)		(11)	(1,292)		(11)
<i>o/w FVOCI</i>	55		1	55		-
<i>o/w Cashflow hedging gross of tax</i>	(581)		(5)	(581)		(5)
<i>o/w FX</i>	310		3	310		3
<i>o/w Remeasurement of net defined pension liability</i>	(1,967)		(16)	(1,967)		(16)
<i>o/w OCA</i>	200		2	200		2
<i>o/w Tax</i>	691		6	691		6
Less: OCI attributable to NCI / other owners	(25)		-	(25)		-
Redemption of preference shares	(736)		(6)	(736)		(6)
Proceeds of share issuance	224	84	2	224	84	2
Other movements	(79)		(2)	(79)	(27)	(1)
FY 2018 TNAV	34,566	12,049	287	34,566	12,088	286
Change	(598)	84	(7)	(598)	57	(6)

Diluted Tangible Net Asset Value

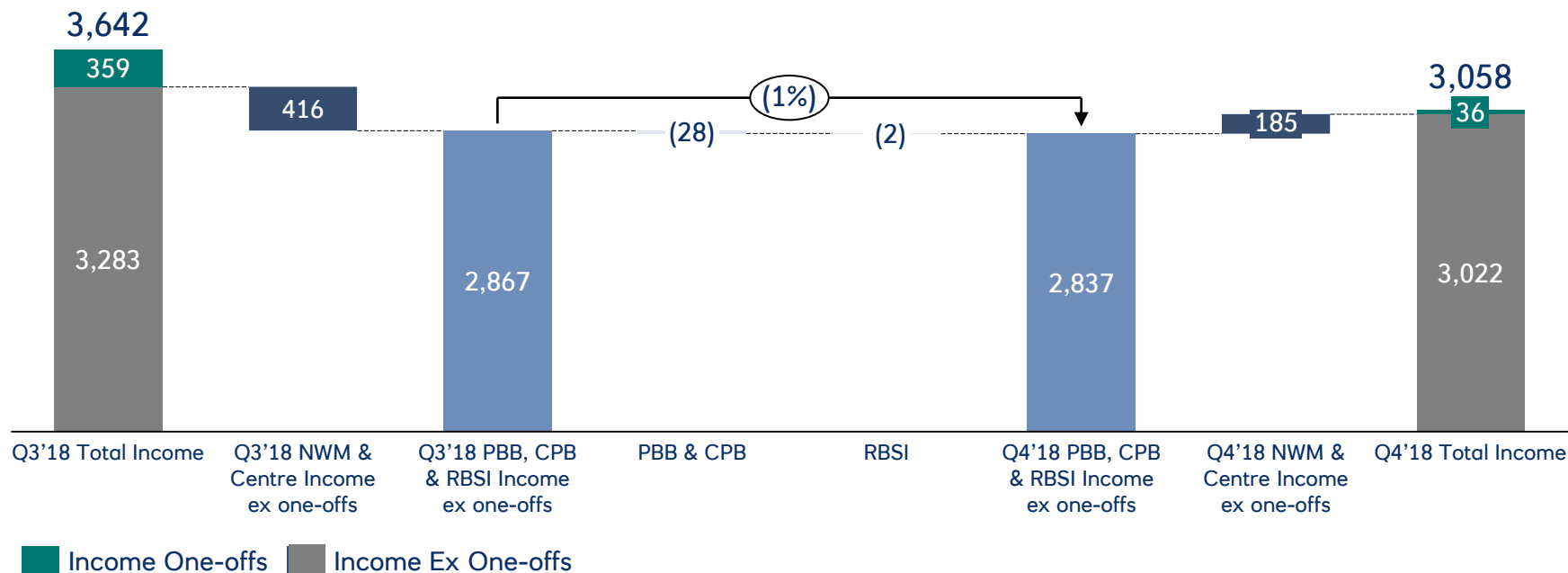
(TNAV) movements



	Amount (£m)	Shares in issue (m)	TNAV per share (p)	Amount (£m)	Diluted shares in issue (m)	Diluted TNAV per share (p)
Q3 2018 TNAV	34,672	12,048	288	34,672	12,091	287
Profit for the period post tax	436		4	436		4
Less: profit to NCI / other owners	(150)		(1)	(150)		(1)
Other comprehensive Income	426		4	426		4
<i>o/w FVOCI</i>	(37)		-	(37)		-
<i>o/w Cashflow hedging gross of tax</i>	241		2	241		2
<i>o/w FX</i>	190		2	190		2
<i>o/w Remeasurement of net defined pension liability</i>	(39)		-	(39)		-
<i>o/w OCA</i>	91		1	91		1
<i>o/w Tax</i>	(20)		-	(20)		-
Less: OCI attributable to NCI / other owners	(3)		-	(3)		-
Redemption of preference shares	(736)		(6)	(736)		(6)
Proceeds of share issuance	2	1	-		1	-
Other movements	(81)		(2)	(81)	(4)	(2)
Q4 2018 TNAV	34,566	12,049	287	34,566	12,088	286
Change	(106)	1	(1)	(106)	(3)	(1)

Income Q4 2018 vs Q3 2018

Income⁽¹⁾ (£m)

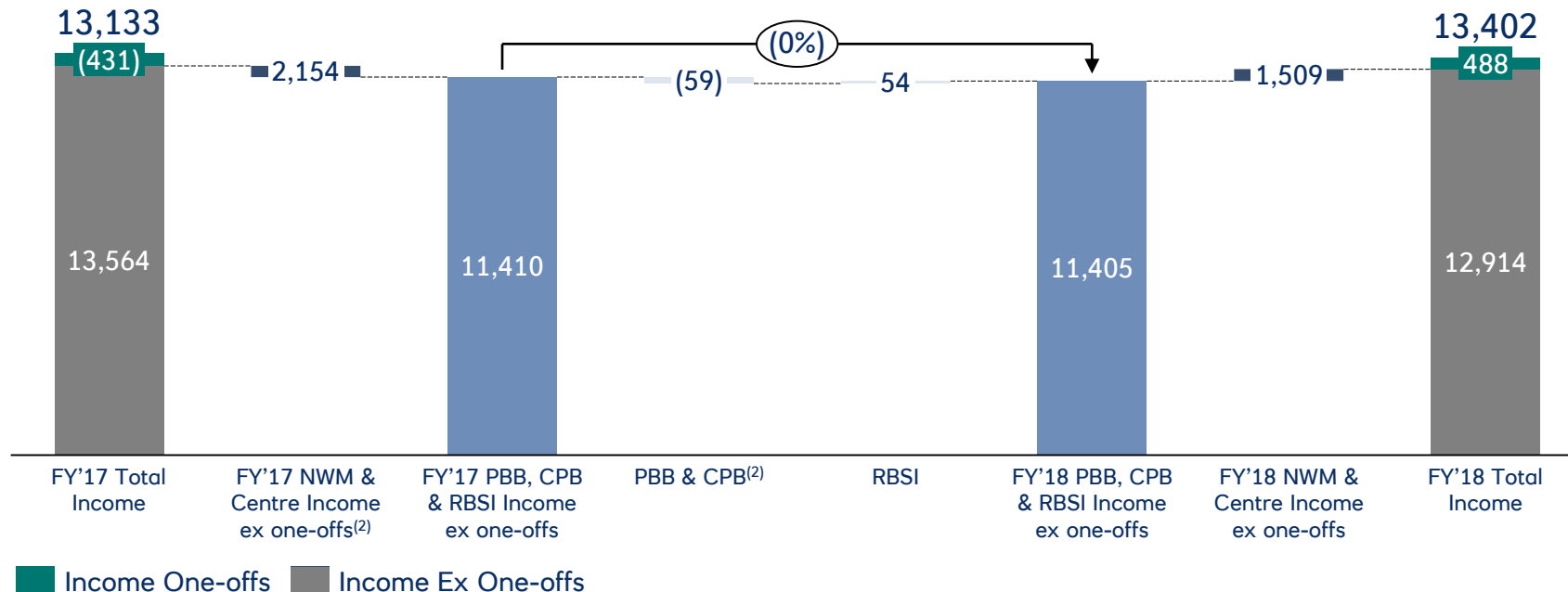


- Q4 2018 Underlying income ex. Natwest Markets and Centre down 1% vs Q3 2018

⁽¹⁾Adjusted for the impact of transfers.

Income FY 2018 vs FY 2017

Income⁽¹⁾ (£m)

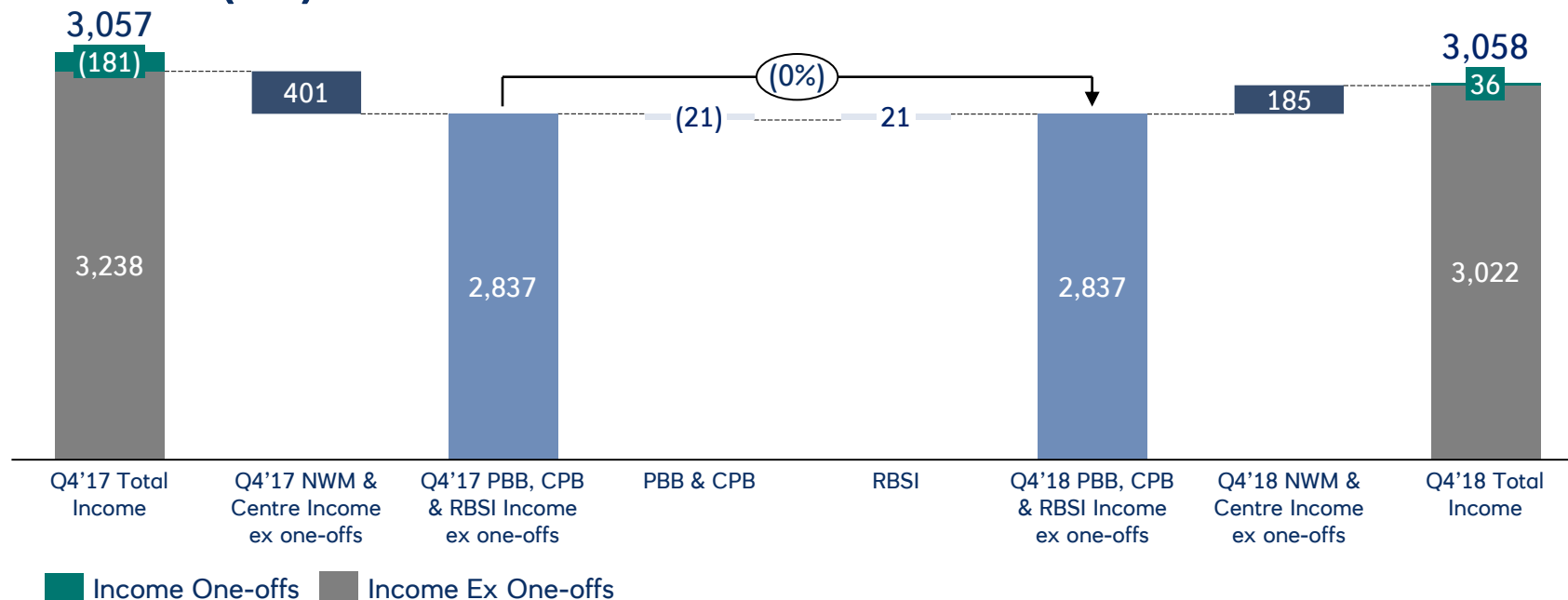


- FY 2018 Underlying income ex. Natwest Markets and Centre flat vs FY 2017

⁽¹⁾Adjusted for the impact of transfer. ⁽²⁾ Prior year comparatives have been adjusted for transfers, including the restatement of 2017 disposal losses to include £70m of the total £712m NatWest Markets disposal loss in Commercial Banking.

Income Q4 2018 vs Q4 2017

Income⁽¹⁾ (£m)

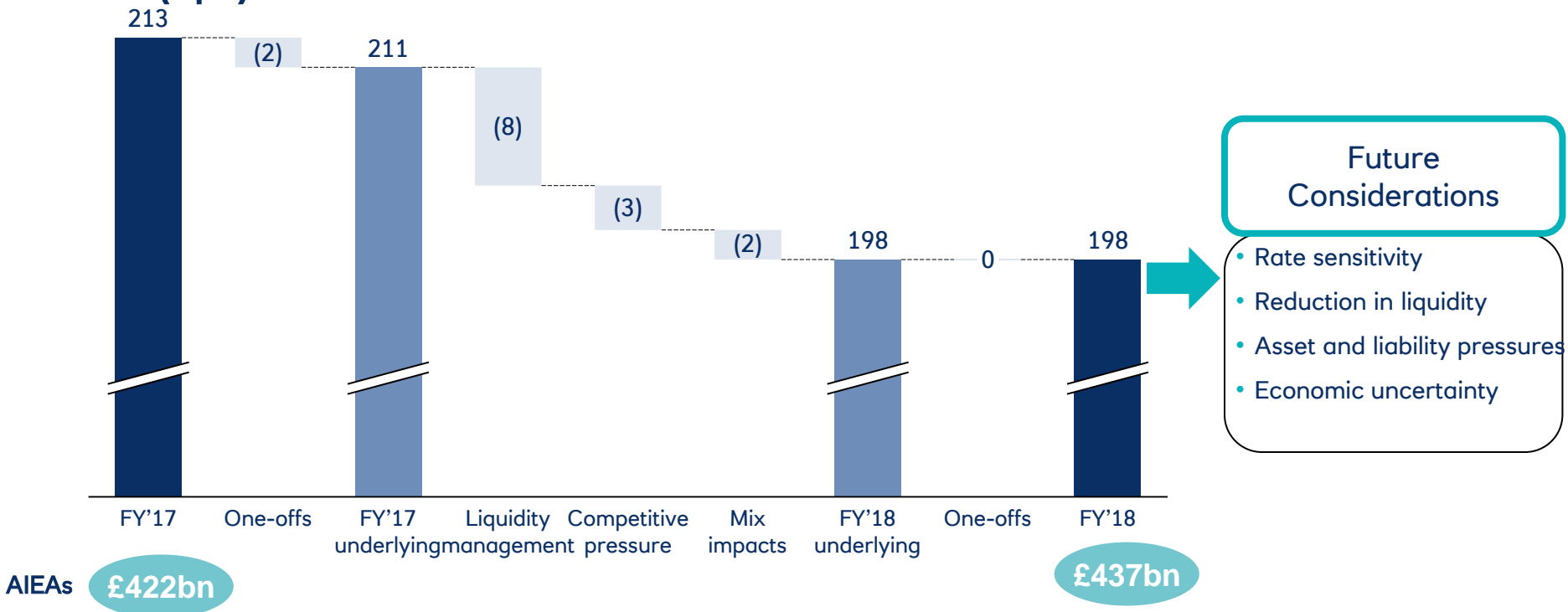


- Q4 2018 Underlying income ex. Natwest Markets and Centre flat vs Q4 2017

⁽¹⁾Adjusted for the impact of transfers.

Net Interest Margin FY 2018 vs. FY 2017

NIM (bps)



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

Structural and product hedge			
2018			
	Incremental income (£m)	Average notional (£bn)	Overall yield (%)
Equity structural hedging	469	29	2.33%
Product structural hedging	368	108	1.02%
Other structural hedging	89	22	0.77%
Total	926	159	1.22%

NII sensitivity	
2018 (£m)	Total (£m)
+25bps	197
-25bps	(210)
+100bps	830
-100bps	(757)

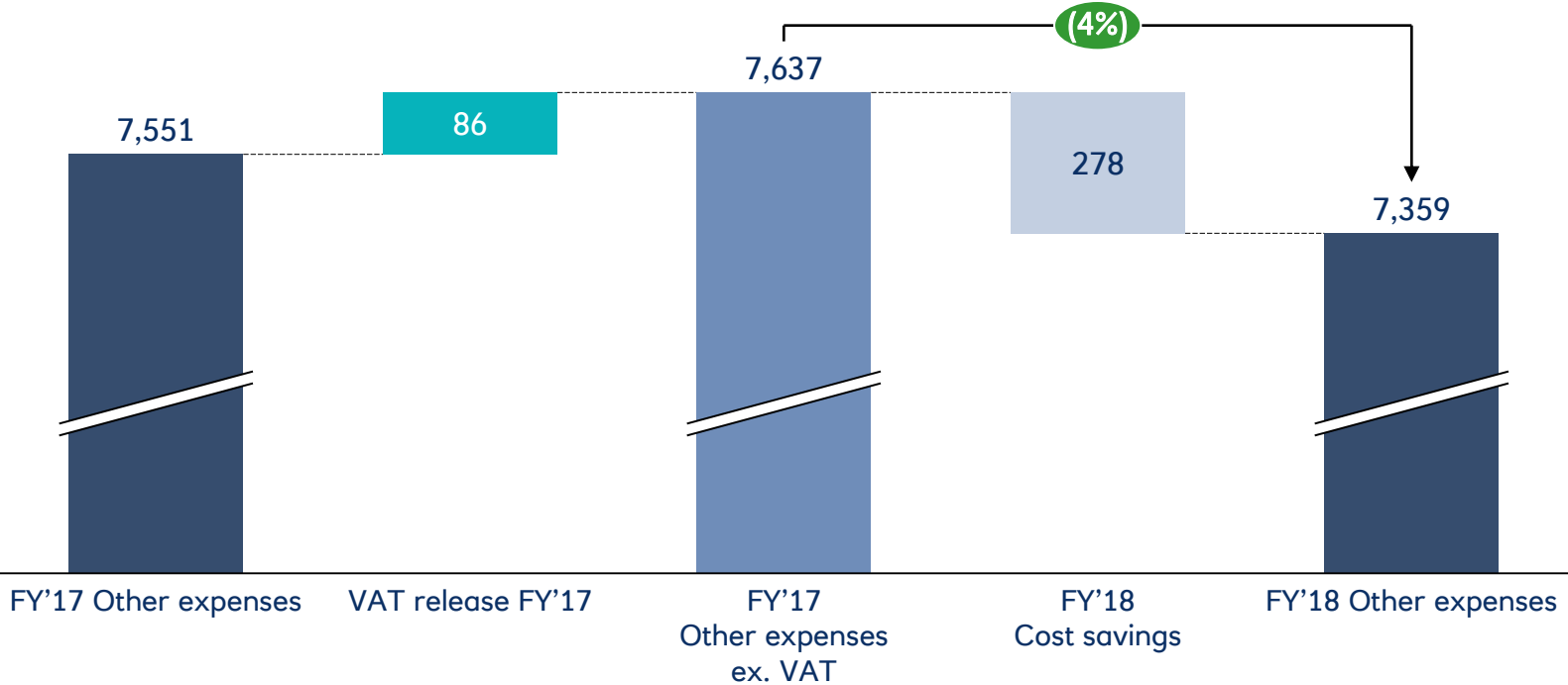
Change in NII – 25bps upward shift in yield curves			
2018 (£m)	Year 1	Year 2 ⁽²⁾	Year 3 ⁽²⁾
Structural hedges	32	98	170
Managed margin ⁽³⁾	150	171	170
Other	15	-	-
Total	197	269	340

AFS reserve and Cashflow hedge reserve			
2018 (£m)	FVOCI (£m)	Cashflow hedge reserve (£m)	Total (£m)
+25bps	(55)	(318)	(373)
-25bps	55	323	378
+100bps	(220)	(1,250)	(1,470)
-100bps	216	1,315	1,531

⁽¹⁾ More information available on pg 156 of 2018 Annual Report and Accounts. ⁽²⁾ The projections for Year 2 and 3 consider only the main drivers of earnings sensitivity, namely structural hedging and margin management. ⁽³⁾ Primarily current accounts and savings accounts.

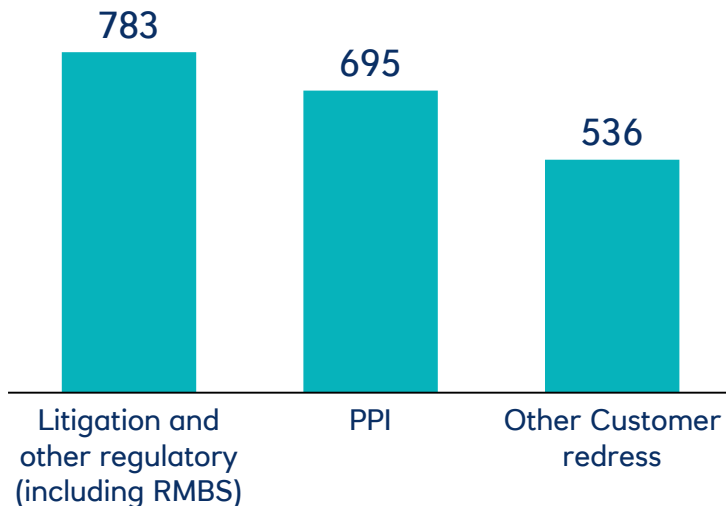
Cost savings

Costs (£m)



Litigation and conduct

FY 2018 provisions (£m)



Total provisions for liabilities and charges: £3.0bn⁽¹⁾ as at FY 2018

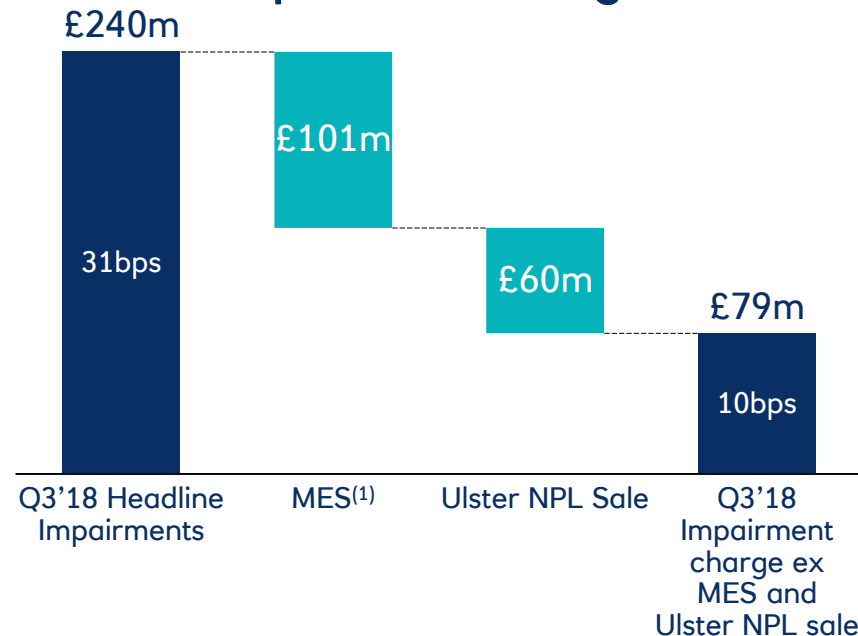
Payment Protection Insurance

- RBS has made provisions totalling £5.3bn to date for PPI claims. £4.6bn had been utilised by 31st December 2018 of which £108m in Q4 2018
- £695m balance sheet provisions remaining

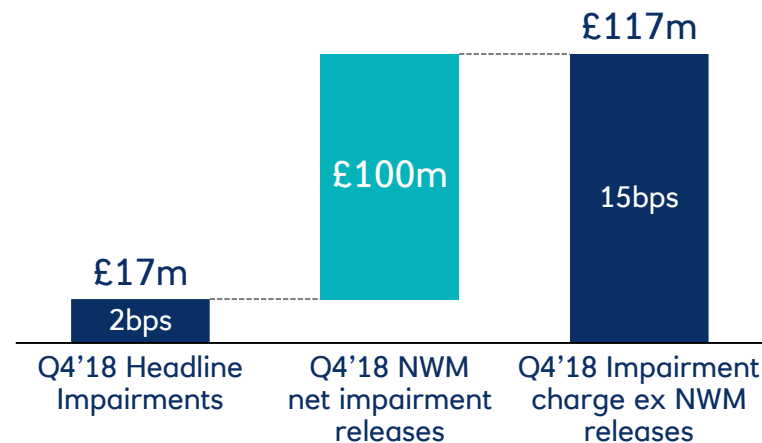
⁽¹⁾ Includes 'other' provisions as per Note 3 of the FY 2018 company announcement.

Impairments

Q3 2018 Impairment charge



Q4 2018 Impairment charge



- Impairments are expected to increase in 2019 but remaining below our through the cycle loss rate assumptions of 30-40 basis points
- The threat from single name and sector driven events remains

⁽¹⁾ MES overlay refers to multiple economic scenarios. For more information please see pg. 119 of the 2018 ARA.

Sustainable Banking

For Climate Related Financial Disclosures please refer to our [Annual Report](#) available at www.rbs.com



Sustainability Governance

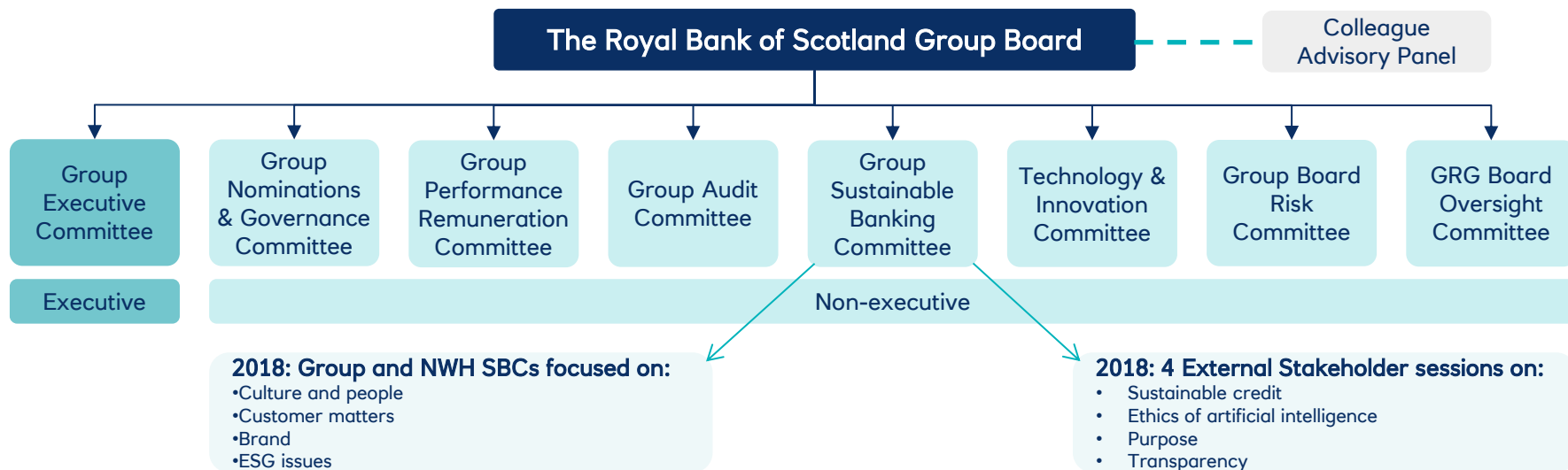


“Sustainability goes hand in hand with building trust. If we act irresponsibly, we will lose trust. That applies not just to how we treat our customers, but also the wider role we play in society.”

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. Our Sustainable Banking Committee enables the Board to listen to stakeholders and address the ethical, societal and environmental impacts relating to our business.”

Howard Davies, Chairman



Performance in key ESG benchmarks

Benchmark	2016	2017	2018
CDP (Climate Change)			
RBS	A-	A-	A-
Industry average	C	C	B-
DJSI (Dow Jones Sustainability Index)			
RBS	84	76*	81
Industry average	61	58	54
Sustainalytics RBS Rating	59	56	67
MSCI ESG RBS Rating	BB	BB	BBB
FTSE4Good	Included	Included	Included

**The DJSI scores for 2017 were revised from 80 to 76 using 2018 methodology
Vigeo Eiris is not included as no overall score is provided*

Additional context:

- We are the only UK Bank to be included in the DJSI World and Europe Indices, and one of only 10 in Europe and 27 globally
- We are pleased to have been Members of the United Nations Global Compact since 2003
- We were 83rd out of 345 banks analysed by Sustainalytics in 2018, improving from 184 out of 343 in 2017
- Our sustainability reporting is independently assured to AA1000 standards

2018 Overview



Customer Focused

Supporting financial education

MoneySense has been running for over 24 years, during which it has helped over 6.5 million young people learn about money.

Improving customer safety & security

We protected customers from 598,174 fraud attempts in the UK, which stopped £251.72 million being stolen.

Improving awareness of scams

Trained over 150,000 colleagues and customers as part of Friends Against Scams' commitment to provide training to one million people across the UK by end 2020.

Supporting financial health checks

Over 1 million financial health checks provided to our personal, private and business customers.

Improving digital capability

We have a TechXpert in every branch empowering customers to take advantage of our digital and mobile banking.

Leading the way on mobile

6.4 million customers now use our mobile app - voted 'Best Banking App' at the British Banking Awards in 2017 and 2018.

Responsible Business

Climate risk management and disclosures

We enhanced our environmental, social and ethical risk policies for the energy sector. We published our second disclosure in line with the Task Force on Climate-related Financial Disclosures recommendations in the Annual Report.

Supporting the sustainable energy sector

We announced commitment to provide £10 billion of funding to the Sustainable Energy sector by 2020 to accelerate the transition to a low carbon economy. We were also recognised by InfraDeals as the leading lender to the UK renewables sector by number of transactions over the past ten years (2008- 2018).

Managing our direct environmental footprint

We have committed to RE100 and pledged 100% renewable electricity in our global operations by 2025.

External recognition

RBS is the only UK bank to be included in the DJSI World and Europe Indices, and one of only 10 in Europe and 27 globally. We also retained or improved our scores in other ESG ratings reflecting our improved environmental, social and governance performance.

Working at RBS

Employee engagement

Our employee engagement score was 86%, the most positive we have seen since we started to measure engagement in 2002.

Gender balanced

We have on aggregate 37% of women in our top three leadership layers, and our pipeline (c. 4,000 of our most senior roles) has 45% women.

Supporting women in banking

For the second year, RBS has published details of the gender pay gap in the bank. We also featured among the Times Top 50 Employers for Women.

Volunteering and payroll giving

Our employees volunteered 100,368 hours. We were also awarded Payroll Giving Gold Award.

Championing diversity

We were Gold Rated for the Business Disability Forum Standard. We were also named in Stonewall's UK Top 100 Workplace Equality Index for ten consecutive years.

For further details of our sustainability highlights, please refer to the Sustainable Banking webpages of [rbs.com](https://www.rbs.com)

Cautionary & Forward Looking Statements



The targets, expectations and trends discussed in this presentation represent RBSG, and where applicable NWM management's, current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 255 to 265 of the RBSG 2018 Annual Report and Accounts, and on pages 128 to 137 of the NatWest Markets Plc 2018 Annual Report and Accounts, respectively.

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; the implementation of the Alternative Remedies Package; the continuation of the Group'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; the Group's exposure to political risk, economic risk, climate change risk, operational risk, conduct risk, cyber and IT risk and credit rating risk and to various types of market risks, including 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 2018 Annual Report and other risk factors and uncertainties discussed in this document. These include the significant risks for the Group presented by: operational and IT resilience risk (including in respect of: the Group being subject to cyberattacks; operational risks inherent in the Group's business; the Group's operations being highly dependent on its IT systems; the Group relying on attracting, retaining and developing senior management and skilled personnel and maintaining good employee relations; the Group's risk management framework; and reputational risk), economic and political risk (including in respect of: the uncertainties surrounding the UK's withdrawal from the European Union; increased political and economic risks and uncertainty in the UK and global markets; climate change and the transition to a low carbon economy; HM Treasury's ownership of RBSG and the possibility that it may exert a significant degree of influence over the Group; continued low interest rates and changes in foreign currency exchange rates), financial resilience risk (including in respect of: the Group's ability to meet targets and make discretionary capital distributions to shareholders; the highly competitive markets in which the Group operates; deterioration in borrower and counterparty credit quality; the ability of the Group to meet prudential regulatory requirements for capital and MREL, or to manage its capital effectively; the ability of the Group to access adequate sources of liquidity and funding; changes in the credit ratings of RBSG, any of its subsidiaries or any of its respective debt securities; the Group's ability to meet requirements of regulatory stress tests; possible losses or the requirement to maintain higher levels of capital as a result of limitations or failure of various models; sensitivity of the Group's financial statements to underlying accounting policies, judgements, assumptions and estimates; changes in applicable accounting policies or rules; the value or effectiveness of any credit protection purchased by the Group; the level and extent of future impairments and write-downs, including with respect to goodwill; and the application of UK statutory stabilisation or resolution powers) and legal, regulatory and conduct risk (including in respect of: the Group's businesses being subject to substantial regulation and oversight; legal, regulatory and governmental actions and investigations; the replacement of LIBOR, EURIBOR and other benchmark rates; heightened regulatory and governmental scrutiny (including by competition authorities); implementation of the Alternative Remedies Package and the costs related thereto; and changes in tax legislation).

The forward-looking statements contained in this document speak only as at the date hereof, and the Group 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.