

Investor Factbook

15th February 2019



Key messages

- £1.6bn FY'18 attributable profit, more than double FY'17, and first Q4 profit in 8 years
- Very strong capital position, 16.2% CET1 ratio (proforma 16.0% for IFRS 16)
- 10.9% FY'18 RoTE excluding conduct, litigation & strategic costs
- Significant capital return to shareholders and approval for directed buyback of Government shares
- Investing in innovation to deliver a better service for customers
- Remain comfortable with our 2020 RoTE target of 12%+
- Recognise our 2020 cost: income ratio target of <50% is increasingly challenging¹

(1) Risks to the downside reflect the ongoing economic and political uncertainty and the additional ongoing costs associated with ring-fencing and Brexit.

Our blueprint for lasting success

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

Our Priorities

Strength and sustainability Customer experience Simplifying the bank Supporting sustainable growth Employee engagement

Our 2020 Goals

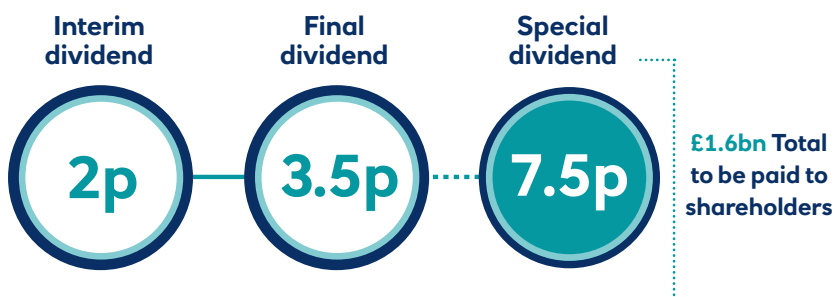
Progressing towards c.14%¹ CET1 capital ratio RoTE ≥12% No.1 for service, trust and advocacy Cost: income ratio <50% Leading market positions in every franchise Employee engagement in upper quartile of Global Financial Services (GFS) norm

Our 2019 Targets

Progressing towards c.14%¹ CET1 capital ratio 2 place improvements in CMA rank for both NatWest and Royal Bank Brands Reduce operating expenses by c.£300m² Grow net lending in CPB and PBB by 2-3% Improve employee engagement

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

Capital Return



Resilient income



Costs down



Strong capital delivering returns

FY 2018 results by business

(£bn)	UK PBB	Ulster Bank Rol	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	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⁾	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%

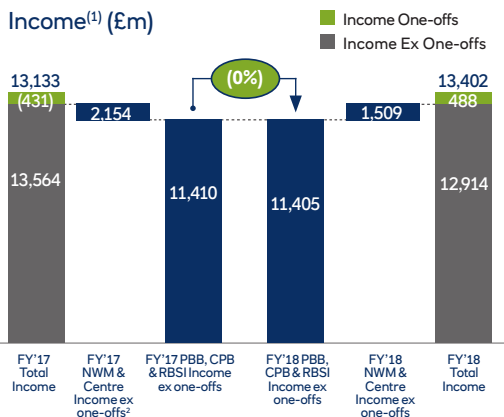
⁽¹⁾ Central items & other includes unallocated transactions which principally comprises RMBS charges. ⁽²⁾ For the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 14% (Ulster Bank Rol), 11% (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.

FY 2018 results by business

Good performance in an uncertain and highly competitive market

Resilient Income (£m)

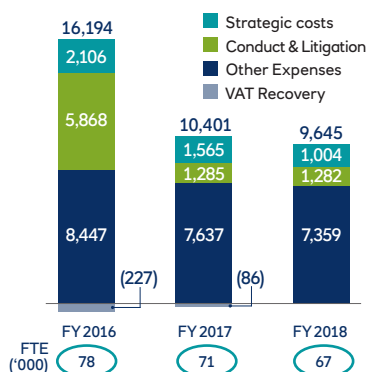
Income⁽¹⁾ (£m)



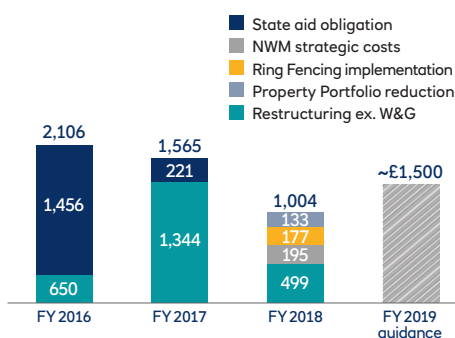
- Income remained stable (ex notable items, NatWest Markets and central items)
- Core NWM franchise income down 24% YoY³.

Cost Reduction

Operating costs (£m)



Strategic costs (£m)

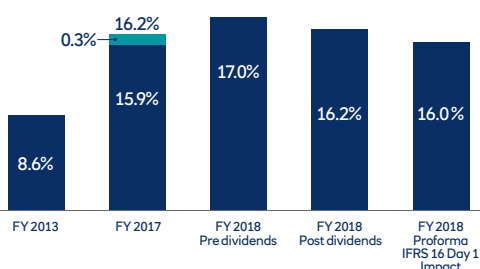


- Reduced costs by £278m⁴ in 2018, with increased investment spend
- £4.2bn⁵ cost take out over 5 years
- Targeting reduction of c.£300m in other expenses for 2019.

Capital generation

Common Equity Tier 1 Ratio

IFRS 9 Day 1 impact

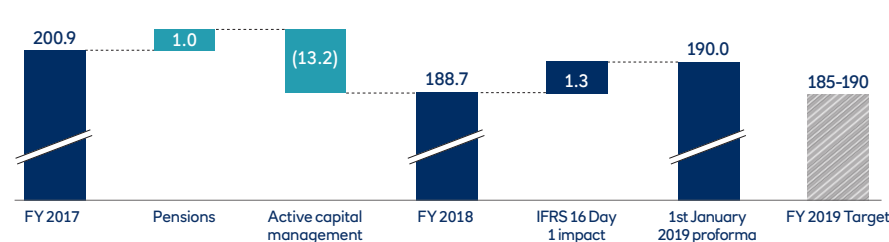


- 240bps underlying capital built in the year

Active capital management

Continued planned RWA reductions

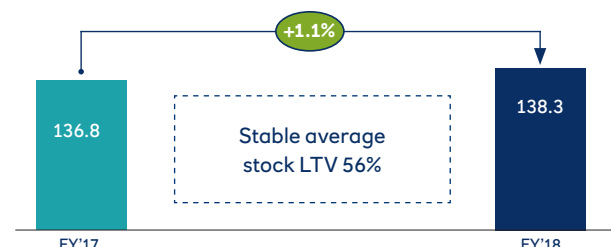
RWAS (£bn)



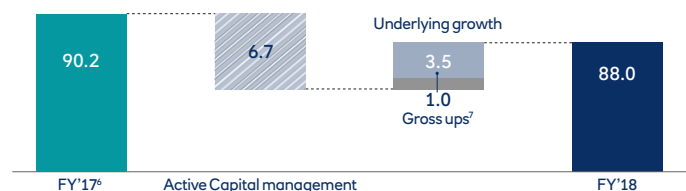
- RWA reduction of £12bn, exceeded £191-196bn guidance
- Expected RWA inflation 2020-2023

Supporting customers through targeted lending growth

Gross loans – mortgages UK PBB (£bn)

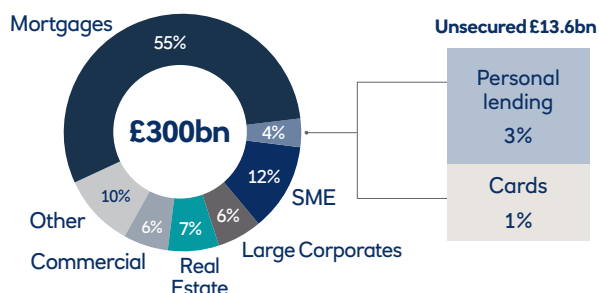


Net loans – Commercial Banking (£bn)



Total unsecured lending exposure remains low

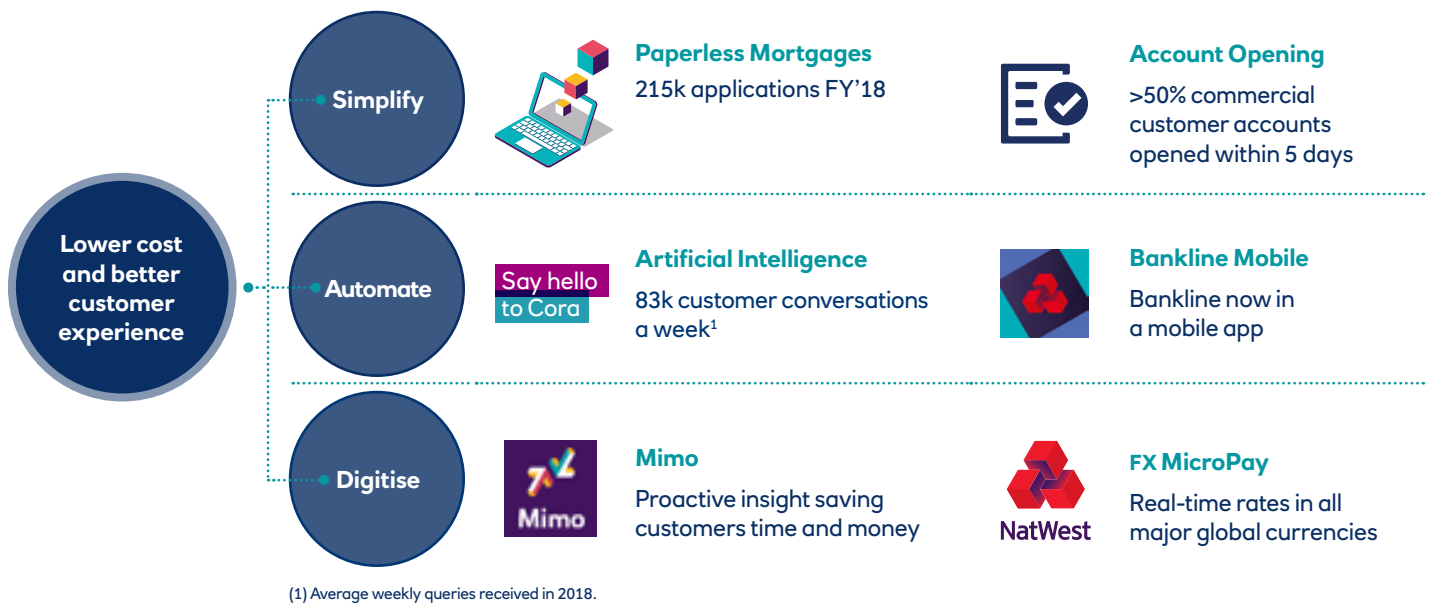
Gross loans to customer amortised cost (£bn)



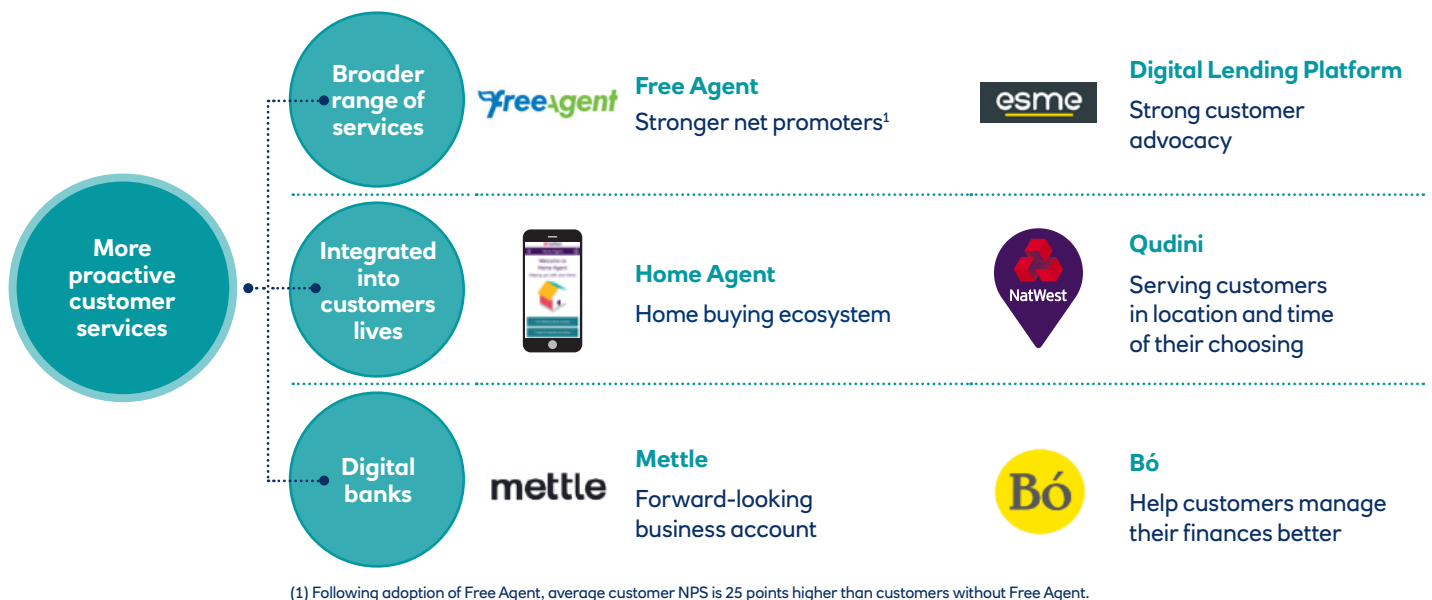
- Growing lending with a lower RWA intensity
- Active capital management has removed lending which flares under stress

(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. (3) Excluding Own Credit Adjustments (4) Excluding one-off VAT release in 2017. (5) 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. (6) Like for like FY'17 – including net impact of transfers and reclassifications due to IFRS9. (7) 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.

Transforming the core to drive improved customer advocacy....



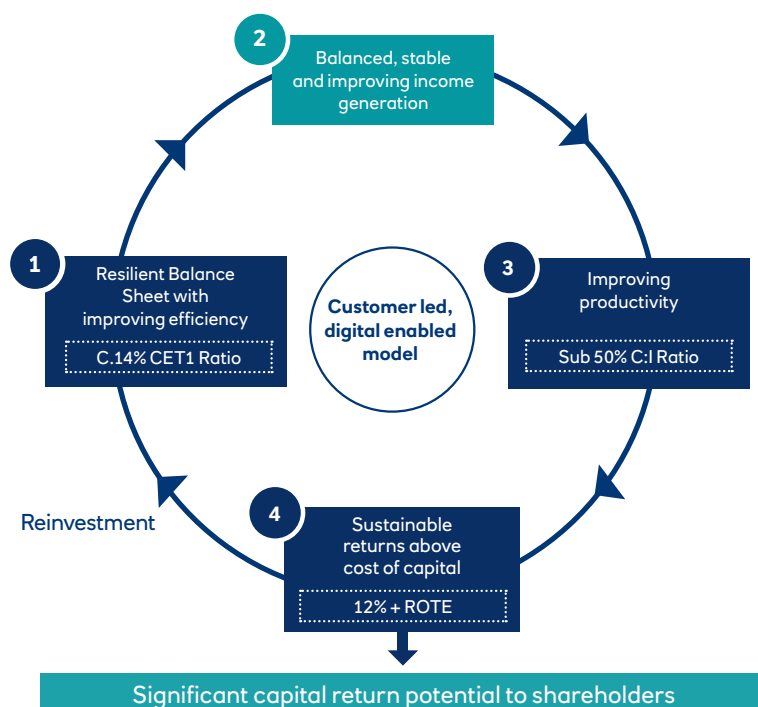
Innovating outside the core to meet rising customer expectations...



Investment case:

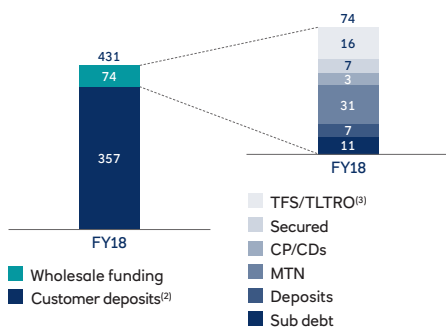
The bank we are becoming

- 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
- Improving returns and capital generation
- Resilient balance sheet
- Significant distribution potential.

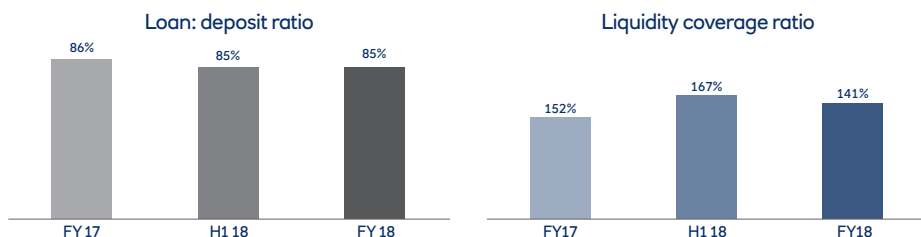


Diversified funding, prudent liquidity

Funding composition £bn⁽¹⁾



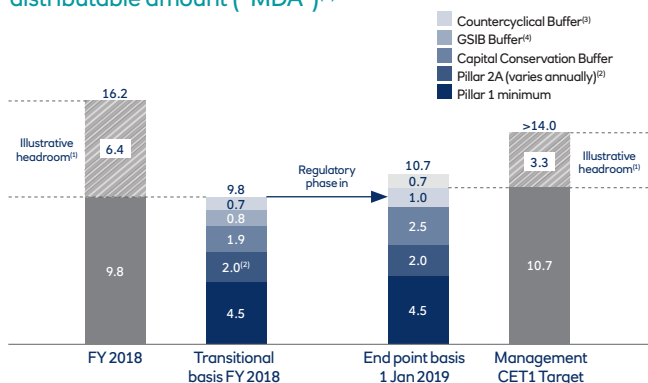
- Funding weighted toward personal and corporate customer deposits
- Stable LDR from strong core deposit base
- LCR decrease in H2 reflects settlement of conduct and pensions, legacy Tier 1 redemptions and £5bn TFS repayment



(1) Funding excluding repos, derivative cash collateral. (2) Customer deposits includes amounts from NBFIs, excludes customer repos. (3) Term funding scheme £14.0bn and participation in European Central Bank's Targeting Long Term Refinancing Operations £1.8bn. (4) Secured includes Covered Bonds £5.4bn and Securitisations £1.4bn.

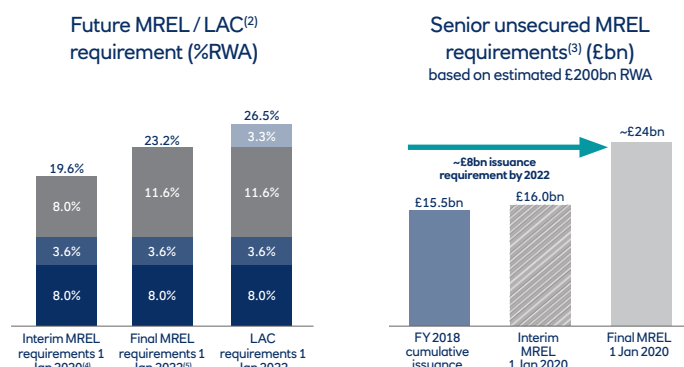
Strong CET1 build above regulatory requirements

2018 CET1 build and target CET1 ratio versus maximum distributable amount ("MDA")⁽⁵⁾



(1) Headroom presented on the basis of MDA, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future. (2) RBS's Pillar 2A requirement was 3.6% of RWAs as at 31 December 2018. 56% of the total Pillar 2A requirement, must be met from CET1 capital. Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review. (3) UK Countercyclical Buffer introduced from November 2018. (4) GSIB buffer does not apply from 1 Jan 2020. (5) Illustration, based on assumption of static regulatory capital requirements.

On track to meet future MREL⁽¹⁾ requirements



(1) Minimum requirement for own funds and eligible liabilities. (2) LAC: Loss Absorbing Capital, comprising total MREL (CRR compliant regulatory capital + bail-in compliant senior unsecured) and CRDIV buffers. For further information please see 'Loss Absorbing Capital' disclosure in the appendix. (3) Illustrative only, both RWA and future capital requirements subject to change. Based on static regulatory capital requirements (4) Interim MREL 1 Jan 2020 = (2 x Pillar 1) + (1 x Pillar 2A). (5) Final MREL 1 Jan 2022 = 2 x (Pillar 1 + Pillar 2A). Pillar 2A requirement held constant over the period for illustration purposes. For further information on TLAC and MREL, including associated leverage requirements, please refer to 'Capital sufficiency' disclosure in the 2018 Annual Report & Accounts.

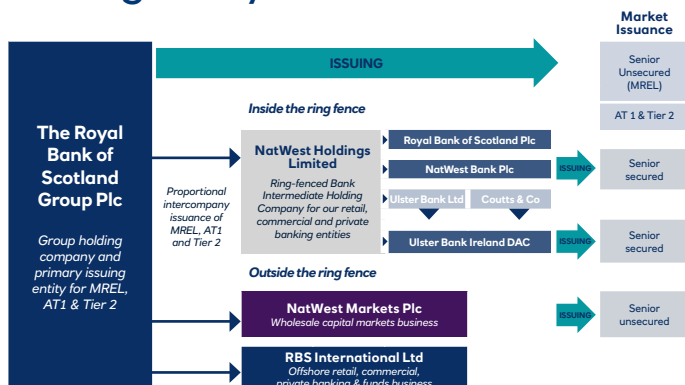
Positive ratings actions in 2018

	Moody's	S&P	Fitch
	Baa2/Pos	BBB-/Pos	A/Sta
Inside the ring-fence			
NatWest Bank Plc	A1*/A2/Pos	A-/Pos	A+/Sta
Royal Bank of Scotland Plc	A1*/A2/Pos	A-/Pos	A+/Sta
Ulster Bank Ireland DAC	Baa1*/Baa2/Pos	BBB+/Pos	A-/Sta
Ulster Bank Ltd	A1*/A2/Pos	A-/Pos	A+/Sta
Outside the ring-fence			
NatWest Markets Plc	Baa2/Pos	BBB+/Pos	A/Sta
NatWest Markets N.V.	Baa2/Pos	BBB+/Pos	A/Sta
NatWest Markets Securities Inc	NR	BBB+/Pos	A/Sta
RBSI	NR	BBB+/Pos	A/Sta

Reflects the Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd

- In H1 2018 subsidiary ratings were revised to reflect our new ring-fenced structure
- Following resolution of DoJ, Pension Fund and progress made with our restructuring plan, positive actions were taken on our ratings from all three agencies
- In May S&P upgraded the ratings of the ring-fenced OpCos, RBSI and UBI DAC, affirmed the rating of NatWest Markets Plc, NatWest Markets N.V. and NatWest Markets Securities Inc. and changed the outlook for each to Positive
- In July Moody's upgraded the senior unsecured ratings of RBSG by 1 notch to Baa2 and assigned a Positive outlook all RBS entities
- In December Fitch upgraded the ratings of RBSG and subsidiaries by 2 notches. Ratings are now on Stable outlook.

Issuing entity structure



2019 Issuance summary requirements

- HoldCo focus is on building senior unsecured MREL stack
- ~£3-5bn HoldCo senior MREL target for 2019
- Look to diversify the investor base across currencies and maturities
- No need for AT1 in 2019, potential for up to £1bn Tier 2 refinancing
- NatWest Markets Plc requirement senior unsecured £3-5bn for 2019
- NatWest Bank Plc potential £2-3bn off Covered Bond programme

Note: The targets, expectations and trends discussed in this section represent RBSG and NWM's management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 253 to 263 of the RBSG 2018 Annual Report and Accounts and pages 124 to 133 of the NWM 2018 Annual Report and Accounts. These statements constitute forward-looking statements; refer to Cautionary and Forward-looking statements in this document.