Investor Factbook

10 May 2018

Key messages

- Strategic plan is working: income up, costs down, capital position stronger
- Reaffirmed 2020 targets 12%+ RoTE and <50% Cost:Income ratio
- Responding to industry change, investing to be less complex, more automated and innovative
- Investment case is clearer and the prospect of shareholder returns is getting closer:
  - £2.2bn FY'17 operating profit before tax and £1.2bn in Q1'18 (up 70% vs. Q1 2017) with Q1 ROTE of 9.3%
  - Memorandum of Understanding with the Trustee of the Main Scheme of the RBS Group Pension Fund
  - Settlement in principle with the US DoJ on RMBS
  - Q1 2018 pro forma CET 1 ratio of 15.1% and TNAV 274p

2020 Financial Targets(1)

Our strategic plan targets sustainable returns based on…

12%+ ROTE(2)	Sub-50% Cost:Income Ratio

This will be based off…

CET1 ratio above 13%	UK income ~90%	Retail & Commercial RWAs ~85%

Foundations to achieve our targets – Q1'18 progress

1 Grow income

- Income up 2.8% vs. Q1 2017 and up 8.0% vs. Q4 2017
- NIM stable vs. Q4 2017 at 204bps

2 Cut costs

- Underlying costs down 2% vs. Q1 2017
- £0.4bn or 18% operating expenses reduction vs. Q1 2017

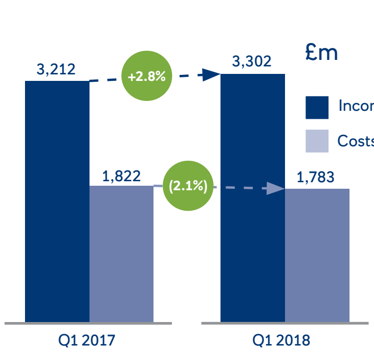
3 Reduce RWAs

- RWAs down £2.5bn (ex. Commercial model uplifts) vs. Q4 2017
- CET1 ratio up 50bps vs. Q4 2017 to 16.4%

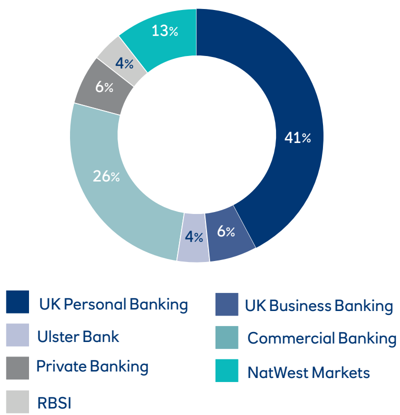
4 Resolve legacy issues

- Reached settlement with the New York Attorney General on its RMBS investigation
- DoJ: agreed in principle to pay a civil monetary cash penalty of $4.9 billion (c. £3.6bn at the current exchange rate)

Q1 2018 JAWS +5% v. Q1 2017

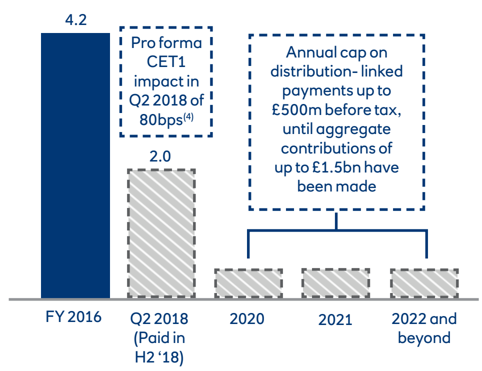


Q1 2018 income contribution (%)



Understanding reached with Group Pension Fund Main Scheme

Pre-tax contributions, £bn

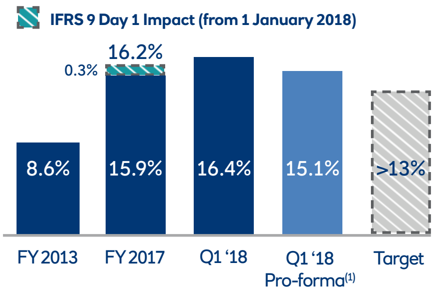


(1) Forward-looking statements This document contains targets, expectations and trends which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and are subject to inherent risks, uncertainties and other factors which are further discussed in RBS's most recent Annual Report, also on Form 20-F and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and RBS does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required. **(2)** 12%+ is the non adjusted and 'as reported' target. The targets, expectations and trends in this document represent management's current expectations and are subject to change, including as a result of the factors described in the 'Risk Factors' on p. 372-402 of the Annual Report and Accounts 2017. **(3)** Costs are other costs, not including strategic costs or conduct and litigation costs. **(4)** After-tax impact as at 31 December 2017 which RBS expects to recognise in Q2 2018

Strategic plan continues to deliver a better financial performance

Robust capital strength

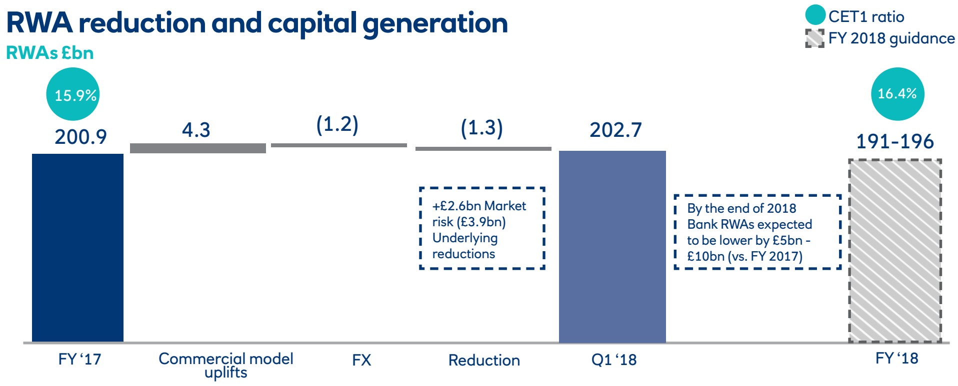
Common Equity Tier 1 Ratio



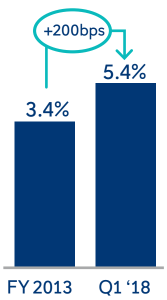
(1) Adjusting for the combined impact of the DoJ RMBS settlement announced on 10 May '18 and the pension deficit contribution of £2 billion announced on 17 April '18

RWA reduction and capital generation

RWAs £bn

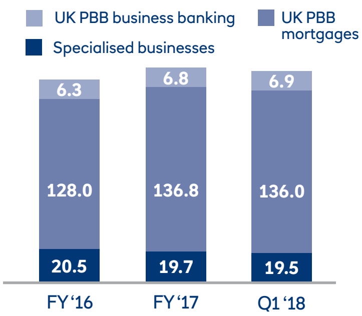


CRR Leverage Ratio



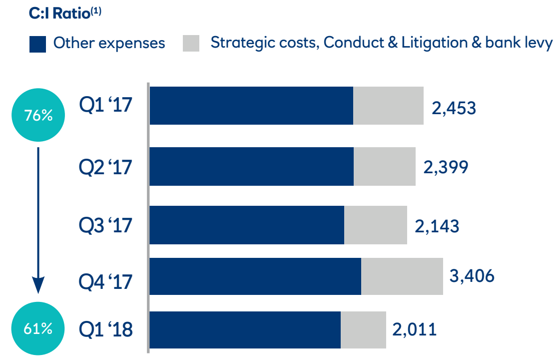
Lending in key markets

Loans and advances to customers by segment (£bn)



Strong record on cost reduction

Operating costs(1) (£m)



(1) Including operating lease depreciation of Q1 '17 – £36m; Q1 '18 – £31m

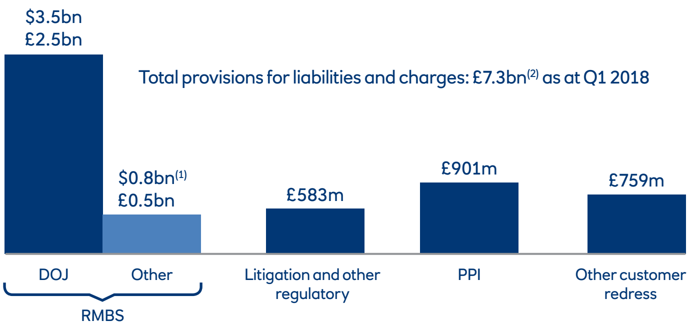
Q1 2018 results by business

(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets [1]	Central items & other[2]	Total RBS
Income	1.6	0.1	0.9	0.2	0.1	0.4	(0.1)	3.3
Operating expenses	(0.8)	(0.1)	(0.4)	(0.1)	(0.1)	(0.3)	(0.1)	(2.0)
Impairment (losses) / releases	(0.1)	(0.0)	(0.0)	(0.0)	-	0.0	0.0	(0.1)
Operating profit	0.7	0.0	0.4	0.1	0.1	0.1	(0.1)	1.2
Funded Assets	190.3	23.4	141.5	20.4	28.0	135.2	50.0	588.7
Net L&A to Customers	160.5	19.0	90.7	13.7	13.1	22.1	0.0	319.1
Customer Deposits	180.4	16.9	93.7	25.3	27.0	14.9	0.1	358.3
RWAs	43.3	16.9	72.4	9.4	7.0	53.1	0.5	202.7
LDR	89%	112%	97%	54%	48%	149%	n.m.	89%
RoE (%)[3]	28%	2%	12%	13%	23%	2%	n.m.	9.3%
Cost : Income ratio (%)[4]	53%	88%	50%	66%	43%	80%	n.m.	61%

(1) The NatWest Markets operating segment should not be assumed to the same as the NatWest Markets Plc legal entity or group following completion of the ring fence transfer scheme on 30 April 2018. **(2)** Central items include unallocated transactions which principally comprise volatile items under IFRS. **(3)** 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 RoI – 11% prior to Q1 2017), 11% (Commercial Banking), 13.5% (Private Banking – 14% from Q1 2017 to Q4 2017, 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 (RWAes). RBS's Return on equity is calculated using profit/(loss) for the period attributable to ordinary shareholders. **(4)** Operating lease depreciation included in income.

Litigation and conduct

End of Q1 2018 provisions (£m)



Comments	
US RMBS	■ Reached settlement with the New York Attorney General on its RMBS investigation ■ DoJ: agreed in principle to pay a civil monetary cash penalty of $4.9 billion (c. £3.6bn at the current exchange rate). Of this amount, $3.46 billion will be covered by existing provisions with an incremental charge of $1.44 billion in Q2 2018
Payment Protection Insurance	■ £152m of provisions utilised in the quarter (including Plevin) ■ £901m balance sheet provisions (including Plevin) remaining

(1) Includes Nomura $318m **(2)** Includes 'Other' provisions as per Note 3 of the Q1 2018 Company Announcement

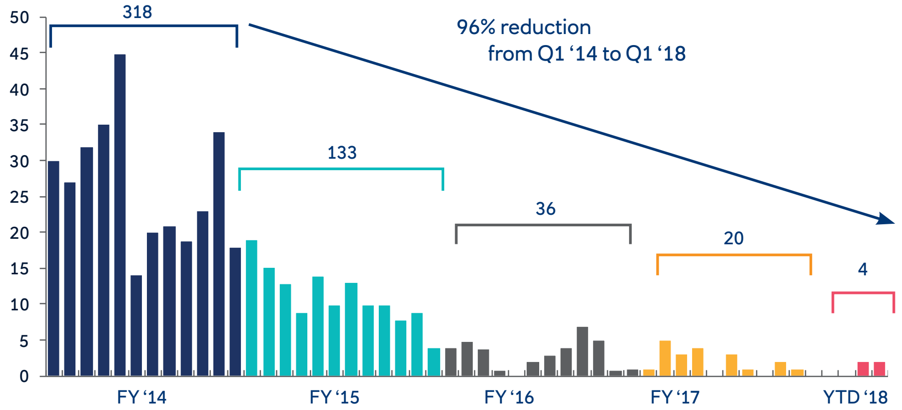
Three pillars of our digital and innovation strategy

Customer led and digitally enabled

Safe Secure

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

Number of 'Crit 1' incidents[1]



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

Simplified Automated

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

Customer migration to digital channels

- Cheque usage is down 17% on Q1 2017
- ATM transactions are down 17% on Q1 2017
- Branch counter transactions are down 7% on Q1 2017
- Customers sent 10.7 million more mobile payments in Q1 2018, up 36% on Q1 2017

Paperless mortgages

- First UK bank to offer paperless mortages
- Average offer in 11 days

Self-service account opening

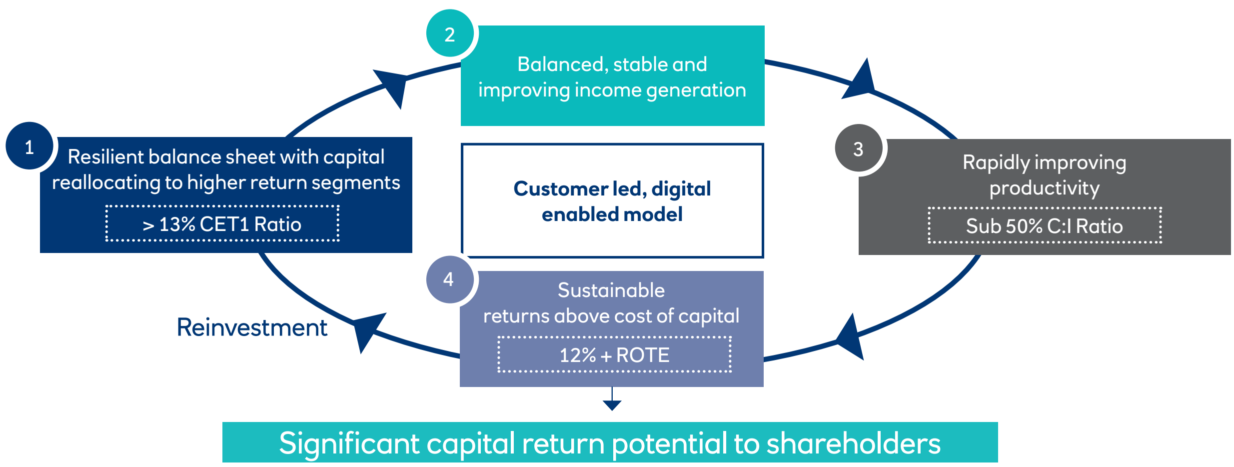
- Available to >90% of new commercial customers
- 30 minutes faster than phone application

Innovative

Mobile is becoming a key channel for business and personal customers

- 5.75m active mobile users
- Cora, our new AI chatbot held c. 360,000 conversations in Q1, of which c. 35% required no handover to a colleague
- 55% of personal unsecured loans made by via digital channels
- Automated business loans pre-approved up to £50k

Our 2020 investment case



Illustrative future ring-fenced structure

The Royal Bank of Scotland Group Plc

Group Holding Company and primary issuing entity for MREL

Proportional Intercompany issuance of Loss Absorbing Capital

Ring-fenced entities [1]

NatWest Holdings Limited Ring-Fenced Bank Intermediate Holding Company

The Royal Bank of Scotland Plc
Previously Adam & Company Plc

NatWest Bank Plc
Personal, private, business and commercial customers including those in Western Europe

Ulster Bank Ireland DAC

Ulster Bank Ltd

Coutts & Company

NatWest Markets Plc
Previously RBS Plc**
Entity will continue to operate our NMW businesses

RBS International Ltd
A leading retail & commercial bank operating in the crown dependencies and Gibraltar (Non-EEA domiciles not permitted in ring-fence)

(1) The four licensed deposit taking UK banks: National Westminster Bank Plc, Adam & Company Plc/The Royal Bank of Scotland Plc, Ulster Bank Limited, and Coutts & Co will continue to be party to a Capital Support Deed (CSD). Under the terms of the CSD the banks commit to making surplus capital available to one another. **Most non-NWM customer business to be transferred to Adam & Company Plc in mid-2018.

Current ratings

	Inside the ring-fence				Outside the ring-fence			
	NatWest Bank Plc	Royal Bank of Scotland Plc	Ulster Bank Ireand DAC	Ulster Bank Ltd	NatWest Markets Plc	NatWest Markets N.V.	NatWest Markets Securities Inc	RBSI
Moody's	A1/Sta[2]	A1/Sta[2]	Baa1/Sta[2]	A1/Sta[2]	Baa2/Sta[3]	Baa2/Sta[3]	NR	NR
S&Ps	BBB+/Pos	BBB+/Pos	BBB/Pos	BBB+/Pos	BBB+/Sta	BBB+/Sta	BBB+/Sta	BBB/Pos
Fitch	A-/Sta	A-/Sta	BBB/Sta	A-/Sta	BBB+/Sta	BBB+/Sta	BBB+/Sta	BBB+/Sta

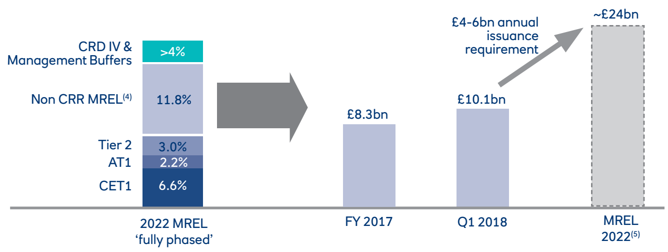
(2) Deposits rating **(3)** Senior Unsecured Debt rating

Future issuance requirements and legal entity structure

On track to meet future MREL[2] requirements

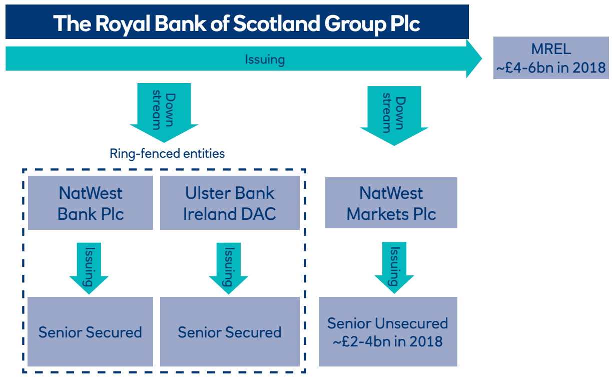
Future LAC requirement[1]
Based on BoE May 2017 guidance

Progress toward future non-CRR MREL[4] needs
Based on FY 2017 £201bn RWA and static regulatory capital requirements[3]



(1) LAC: Loss Absorbing Capital, comprising total MREL and CRDIV buffers. **(2)** Minimum requirement for own funds and eligible liabilities. **(3)** Illustrative only, both RWA and future capital requirements subject to change. **(4)** Non-CRR MREL = Loss Absorbing Capital not required to be met by CRDIV compliant regulatory capital. **(5)** Based on TLAC 1 Jan 2019 = 16% RWA; MREL 1 Jan 2020 = 2x Pillar 1 and 1x Pillar 2A, MREL 1 Jan 2022 = 2x Pillar 1 and 2x 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 2017 Annual Report & Accounts.

Entities issuing into debt capital markets in 2018



- Issuance requirements take into account ring-fencing and balance sheet composition changes
- HoldCo sole issuing entity for MREL under single point of entry model
- Sterling equivalent Q1&Q2 2018 issuance:
  - £2.1bn HoldCo senior unsecured MREL
  - £2.8bn OpCo senior unsecured
  - £0.8bn UBIDAC RMBS

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