
Q1 2018 Results

27th April 2018

Key messages

Q1 2018 pre tax profits £1.2bn, up 70% vs. Q1 2017. Attributable profit of £792m vs. £259m at Q1 2017. ROTE 9.3%

Income up, costs down, capital position stronger

Total costs down 18% vs. Q1 2017 and C:I ratio down to 61% from 76%
Underlying costs down 2% vs. Q1 2017 and vs. Q4 2017 down 16%

Positive JAWS, up +5% Q1 2018 vs. Q1 2017





RWAs down £2.5bn (ex. Commercial model uplifts) vs. Q4 2017

CET1 ratio 16.4%; 50bps higher than FY 2017

Pensions – Deficit funding MOU reached with the Main Scheme of the Group Pension Fund

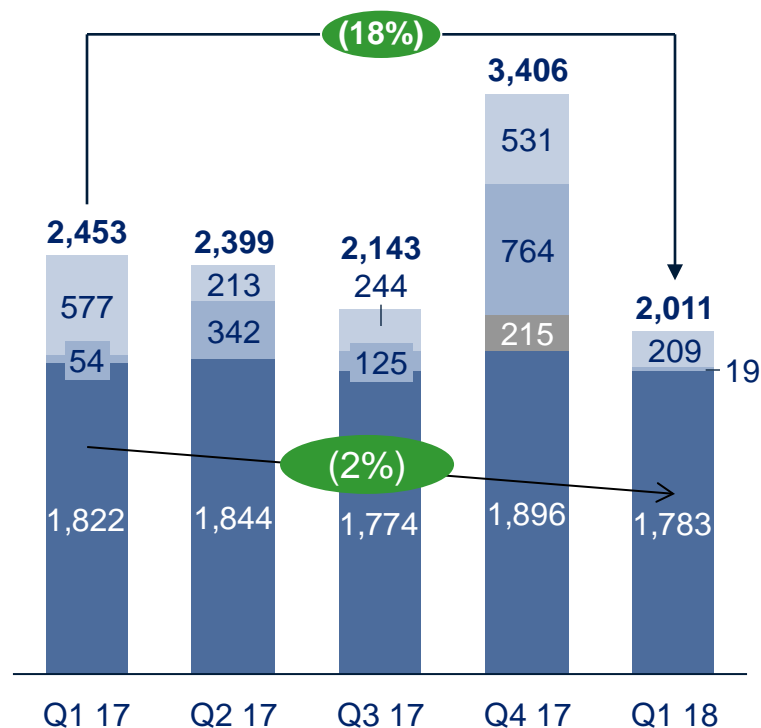
On track to meet the 1 January 2019 deadline for ring-fencing implementation

Q1 2018 update on progress

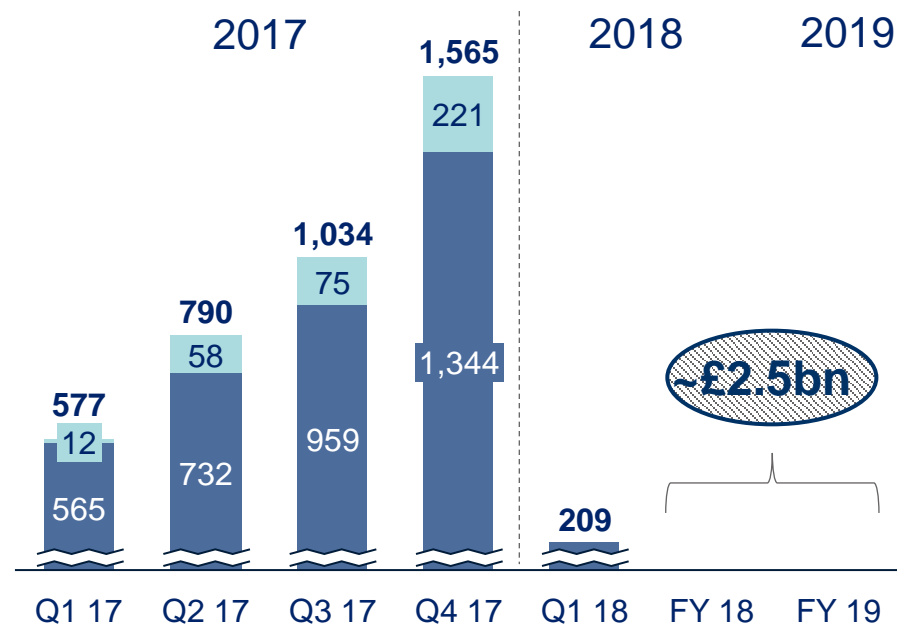
4 priorities	Q1 2018 progress	
Grow income	<ul style="list-style-type: none">Income up 2.8% vs. Q1 2017 and up 8.0% vs. Q4 2017NIM stable vs. Q4 2017 at 204bps	
Cut costs	<ul style="list-style-type: none">£0.4bn or 18% operating expenses reduction vs. Q1 2017; underlying costs down 2%	
Reduce RWAs	<ul style="list-style-type: none">RWAs down £2.5bn (ex. Commercial model uplifts) vs. Q4 2017CET1 ratio up 50bps vs. Q4 2017 to 16.4%	
Resolve legacy issues	<ul style="list-style-type: none">Reached settlement with the New York Attorney General on its RMBS investigationDOJ: Substantial additional charges and costs may be recognised in the coming quarters	 Pending

Costs Q1 2018

Operating costs⁽¹⁾ (£m)



Cumulative strategic costs (£m)



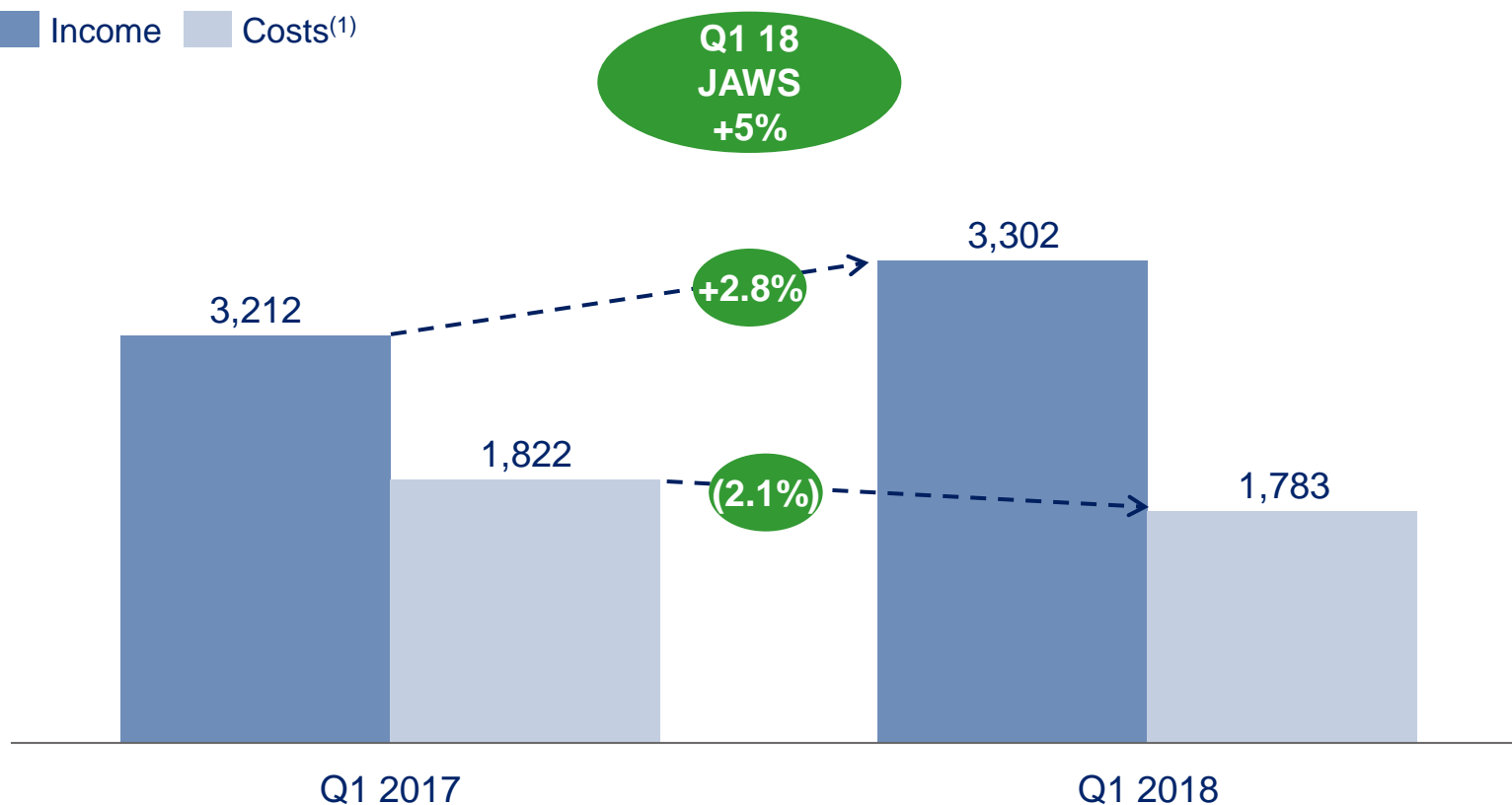
C:I Ratio⁽¹⁾
76%
→
61%

⁽¹⁾ Including operating lease depreciation of Q1 2017, -£36 million; Q1 2018 - £31million;

Q1 2018 JAWS +5%

Q1 2018 JAWS

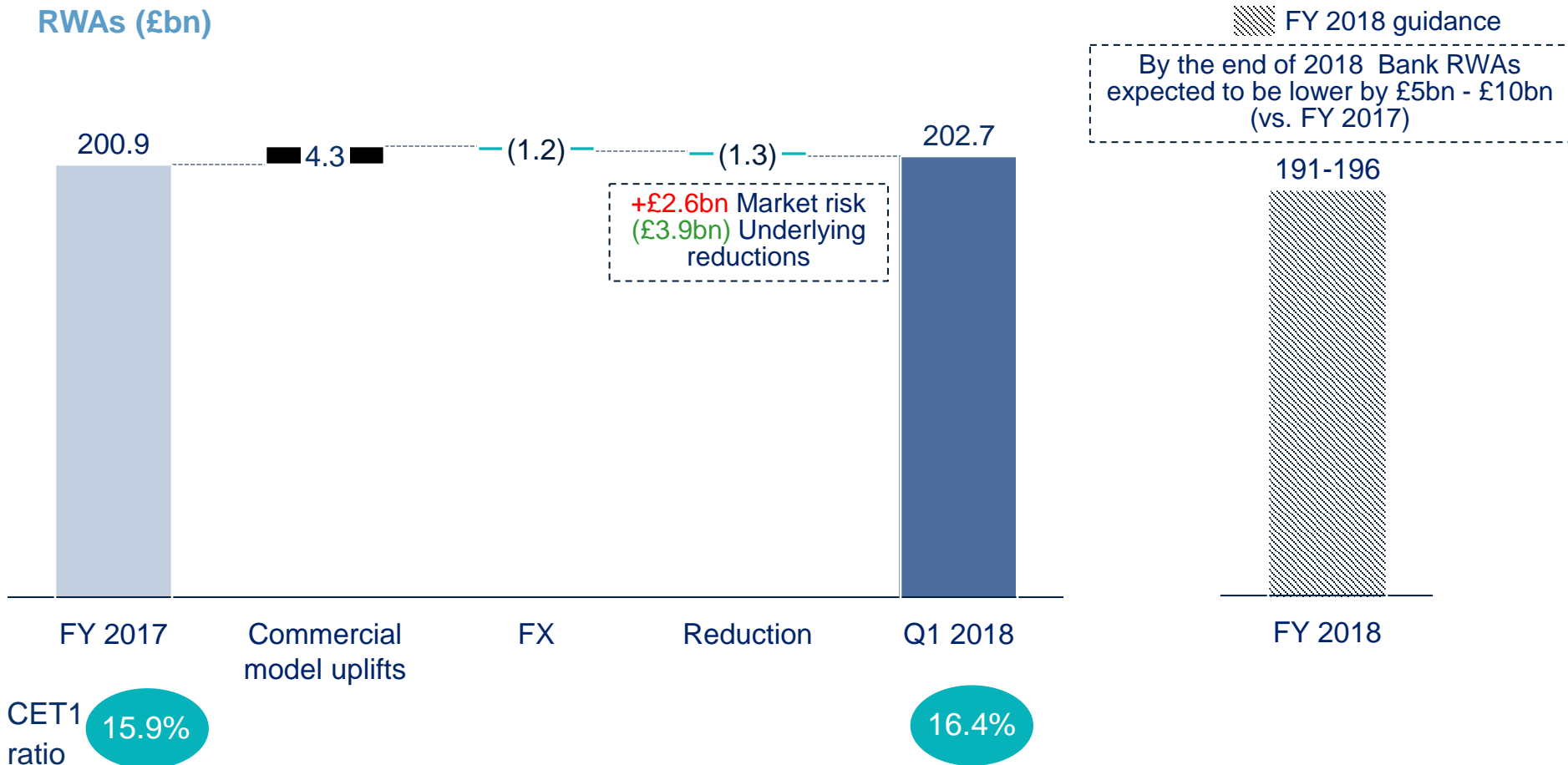
£m ■ Income ■ Costs⁽¹⁾



⁽¹⁾ Costs are other costs, not including strategic costs or conduct and litigation costs.

RWA reduction and capital generation

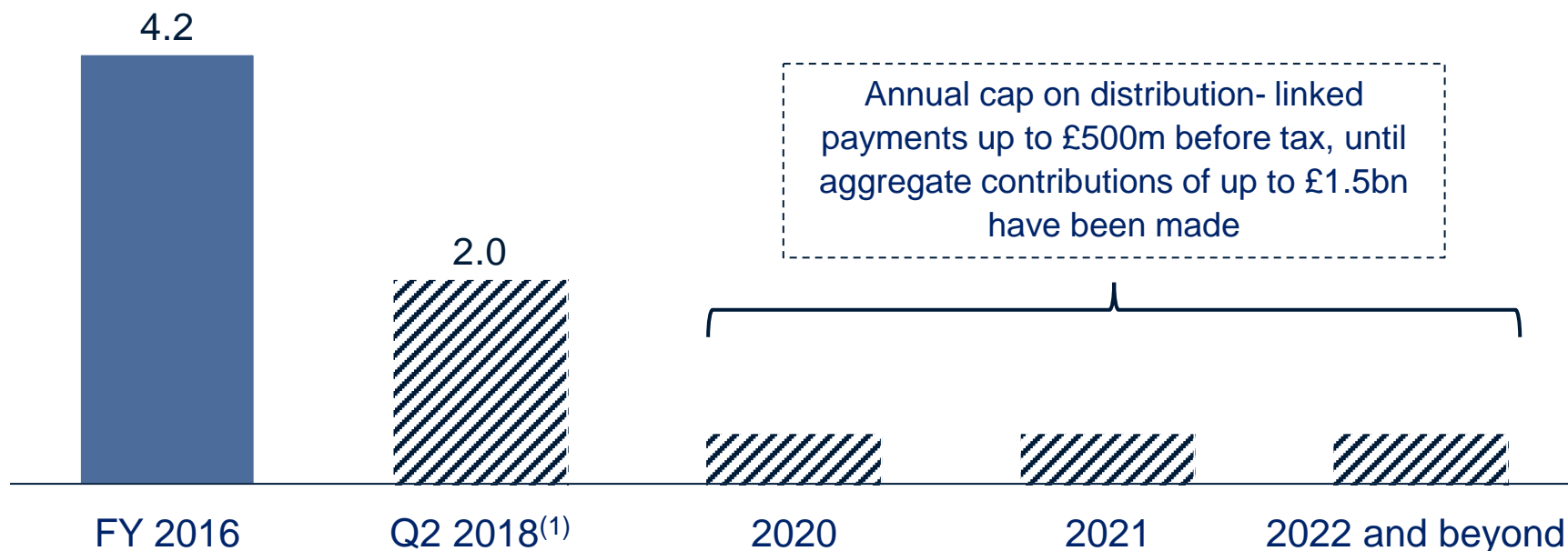
RWAs (£bn)



- CET1 build in Q1 based on attributable profit (40bps), day 1 impact of IFRS9 (30bps) offset by increase in RWAs (20bps)

Pensions – Memorandum of Understanding with Main Scheme of Group Pension Fund reached

(Pre-tax contributions, £bn)



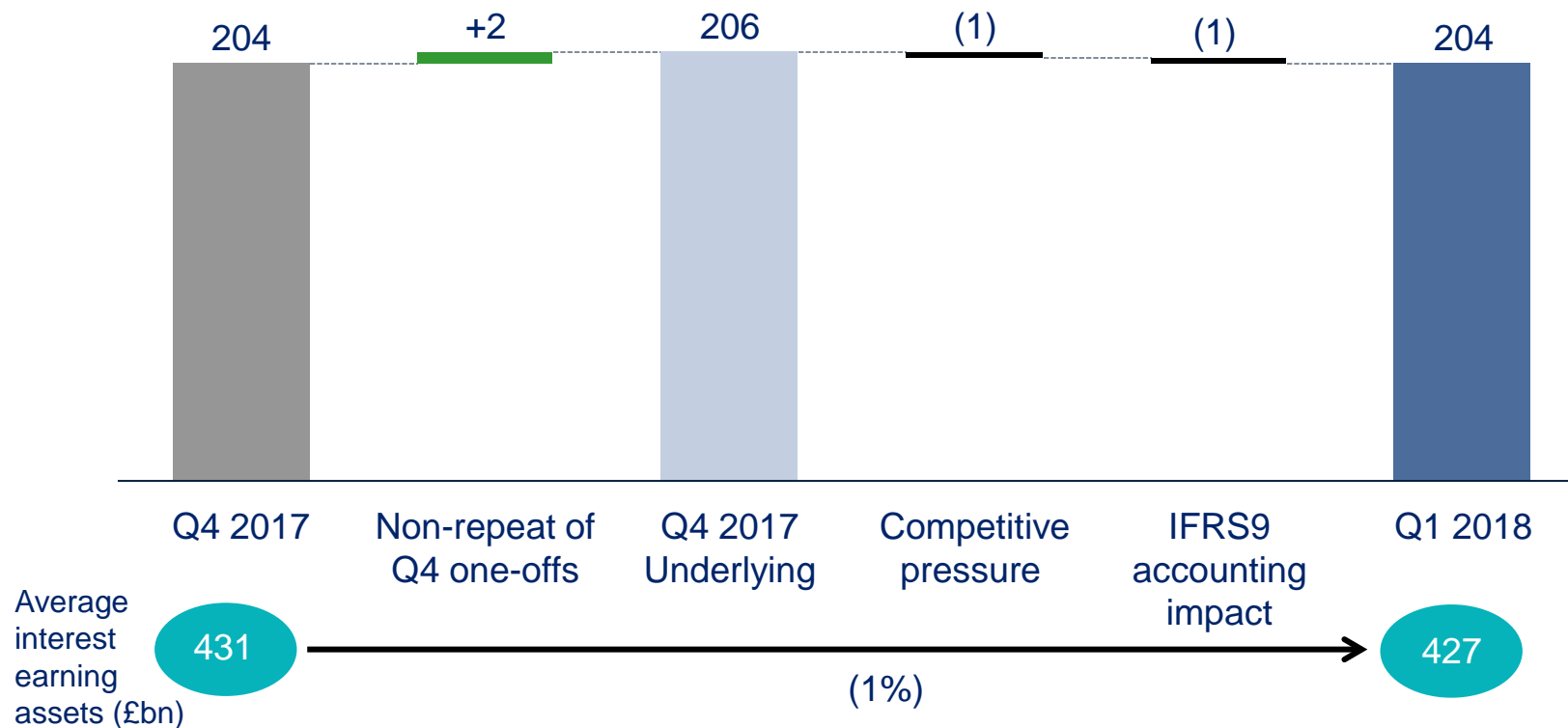
- Pro forma CET1 impact as at 31 December 2017 is 80bps after-tax, which RBS expects to recognise in Q2 2018
- In relation to the accelerated £2bn, tax relief will be at an average 26% rate
- Triennial valuation accelerated to the 31 December 2017 (brought forward from 31 December 2018)
- Subject to normal market conditions, the Trustee and RBS's central expectation is that no further deficit contributions to the Main Scheme will be required

⁽¹⁾ Cash to be paid in H2 2018

Appendix

Net interest margin (NIM) progression – Q1 2018

Net interest margin (bps)



- Q1 2018 NIM 2.04% – flat vs. Q4 2017 and 2 basis points lower excluding Q4 2017 one-off items, reflecting competitive pressure, 1 basis point, and IFRS9 accounting impacts, 1 basis point

Notable items income and expenses

(£m)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Income	3,302	3,057	3,157	3,707	3,212
IFRS volatility in Central items	(128)	(173)	21	172	(18)
Property	-	-	-	-	(105)
UK PBB Product Sale	26	9	168	-	8
FX (loss)/gain in Central items	(15)	(8)	(67)	(56)	(52)
Commercial Fair Value and Disposal (loss)/gain in income	77	(46)	52	-	
NatWest Markets Legacy Business Disposal (loss)/gain in income ⁽¹⁾	(16)	(163)	(446)	(53)	(50)
Own Credit Adjustments	21	9	(5)	(44)	(29)
Gain/(Loss) on redemption of own debt	-	-	-	(9)	2
Strategic disposals	-	191	-	156	-
o/w Vocalink Gain	-	-	-	156	-
o/w Euroclear Gain ⁽¹⁾	-	161	-	-	-
Notable Items in Total Income - Total	(35)	(181)	(277)	166	(244)
Total Expenses	(2,011)	(3,406)	(2,143)	(2,399)	(2,453)
VAT recovery in Centre	-	6	29		51
Bank Levy	-	(215)			
Strategic Costs	(209)	(531)	(244)	(213)	(577)
Litigation & Conduct	(19)	(764)	(125)	(342)	(54)
o/w US RMBS	-	(442)		(222)	
o/w PPI	-	(175)			
o/w Ulster Bank Rol	(9)	(135)	(1)	(33)	
Notable Items in Total Expenses - Total	(228)	(1,504)	(340)	(555)	(580)

⁽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 NWM legacy business disposal losses in income, but forms part of overall NWM legacy business disposal losses

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	-	(0.1)
Operating profit	0.7	0.0	0.4	0.1	0.1	0.1	(0.1)	1.2
Funded Assets	190.3	23.3	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	43.4	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%

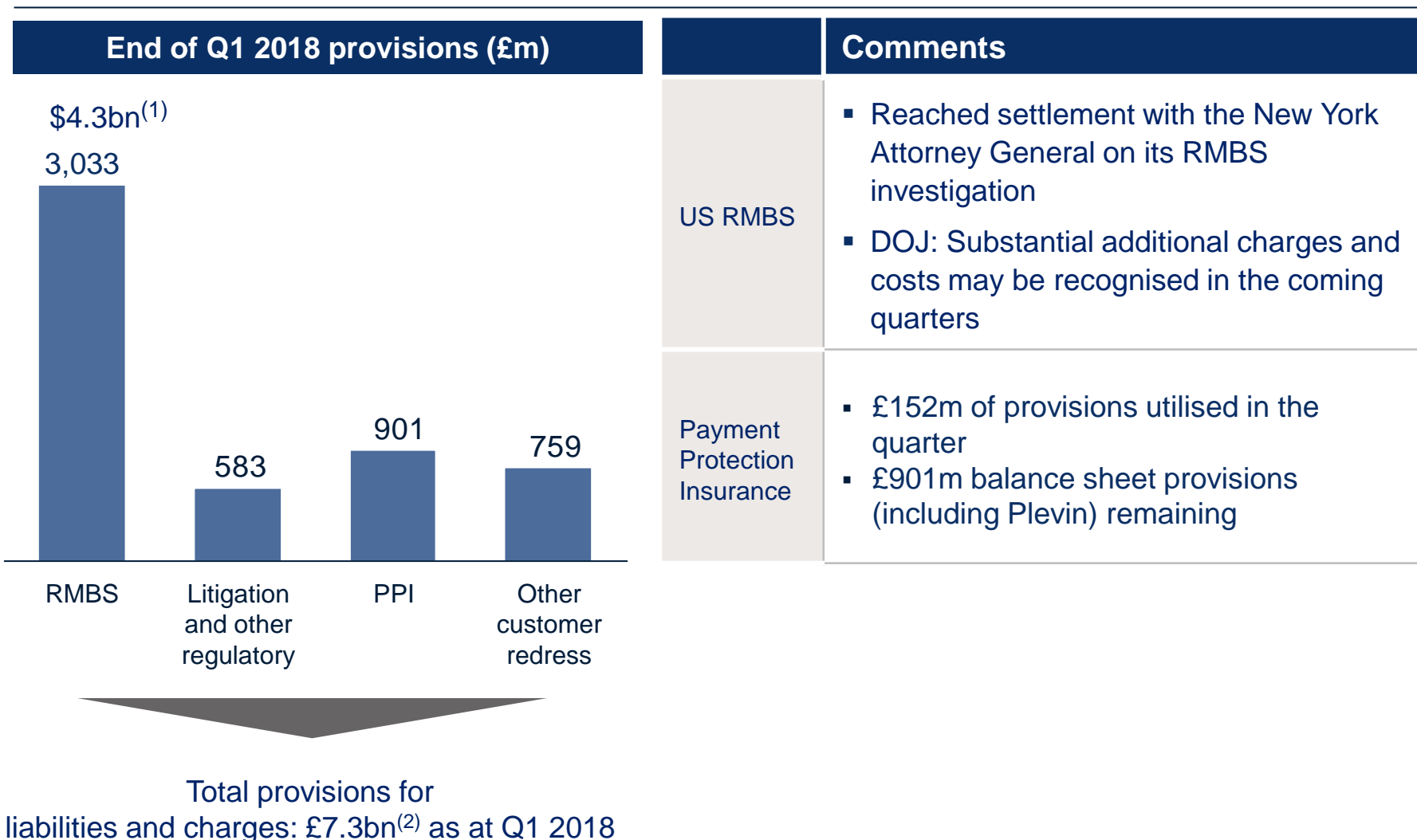
⁽¹⁾ The NatWest Markets operating segment should not be assumed to the same as the NatWest Markets Plc legal entity or group following completion of the ring fence transfer scheme on 30 April 2018.

⁽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 (RWAs). 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



Diluted Tangible Net Asset Value (TNAV) movements



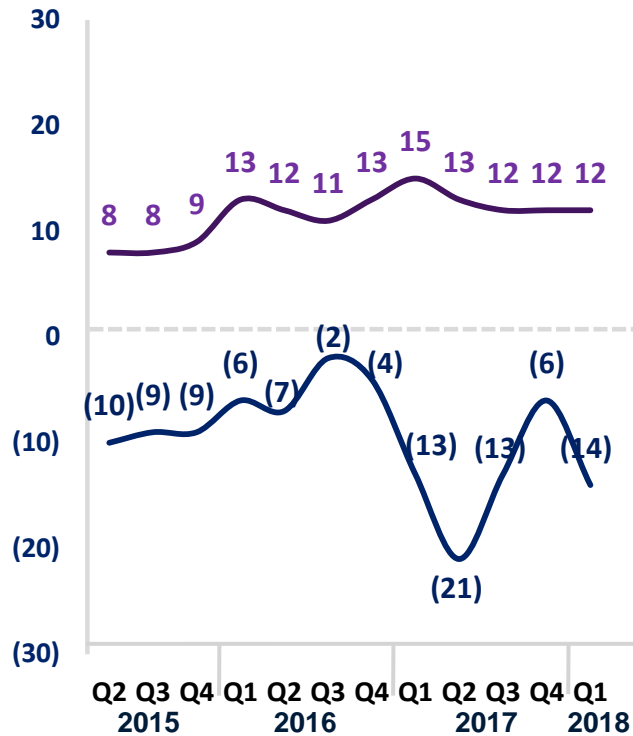
	Amount (£m)	Shares in issue (m)	TNAV per share (p)	Amount (£m)	Diluted Shares in issue (m)	Diluted TNAV per share (p)
Q4 2017 TNAV	35,164	11,965	294p	35,164	12,031	292p
IFRS day 1 adj	(71)		(1p)	(71)		(1p)
Profit for the period post tax ⁽¹⁾	884		7p	884		7p
Less: loss to NCI / other owners	(92)		(1p)	(92)		(1p)
Other comprehensive Income	(352)		(3p)	(352)		(3p)
<i>o/w AFS</i>	131		1p	131		1p
<i>o/w Cashflow hedging gross of tax</i>	(584)		(5p)	(584)		(5p)
<i>o/w FX</i>	(73)		(1p)	(73)		(1p)
<i>o/w OCA</i>	61		1p	61		1p
<i>o/w Tax</i>	113		1p	113		1p
Less: OCI attributable to NCI / other owners	18		-	18		-
Proceeds of share issuance	80	28	1p	80	28	1p
Other movements ⁽²⁾	13		-	13	16	-
Q1 2018 TNAV	35,644	11,993	297p	35,644	12,075	295p
Change	+480	(28)	+3p	+480	+44	+3p

⁽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

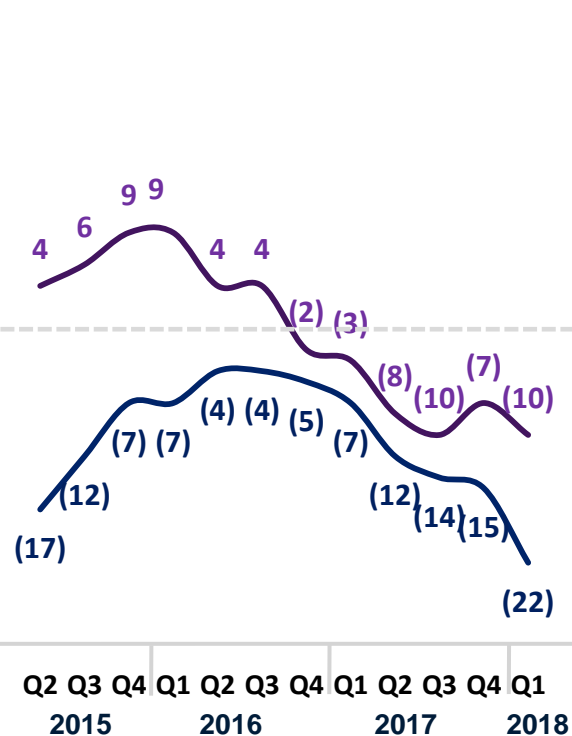
Personal Banking⁽¹⁾

NatWest remains stable with continued fluctuation for Royal Bank of Scotland



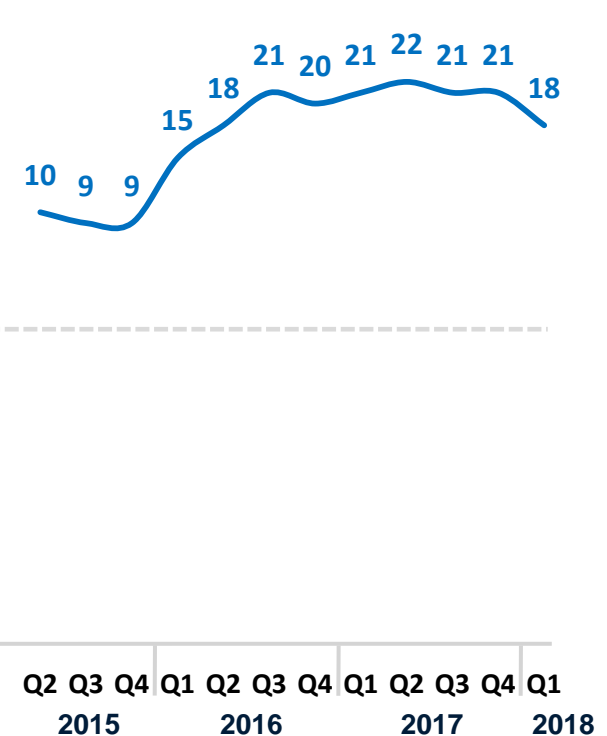
Business Banking⁽²⁾

Continued impact from operating model changes



Commercial Banking⁽³⁾

Remains ahead of main competitors



■ Royal Bank of Scotland (Scotland)
 ■ NatWest (England & Wales)
 ■ RBSG (GB)

(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3257) Royal Bank of Scotland (Scotland) (470). 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, Q1 2018. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: NatWest England & Wales (1269), 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, Q1 2018. Commercial £2m+ in GB (RBSG sample size, excluding don't knows: 900). 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.

Disclaimers



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 on Form 20-F 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 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.

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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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