

# Investor Factbook

26th October 2018



## Key messages

- Good performance in a highly competitive market and uncertain economic outlook
- Q3 2018 Attributable profit £448m, + 14% vs. Q3 2017
- Strong capital position, 16.7% CET1 ratio at Q3 2018
- Growing lending safely in our target markets and sectors
- Continued focus on digital transformation, innovation and improving customer service.

## 2020 Financial Targets

Our strategic plan targets sustainable returns based on...

12%+  
ROTE

Sub-50%  
Cost: Income  
Ratio

This will be based off...

CET1 ratio  
in excess of  
13%

UK income  
~90%

Retail &  
Commercial  
RWAs~85%

## Supporting our customers

Helping UK and Republic of Ireland businesses and homeowners



£8.2bn gross new mortgage lending in UK PBB in Q3 2018



Over £90bn in net loans and advances in Commercial Banking



>500m mobile app logins in Q3 2018, taking us to 1.6bn YTD



Total customer deposits in UK PBB up 3% on Q3 2017



Committed on additional £2bn of funding to our Growth Fund to support British business



Personal Advances in UK PBB up £0.5bn, or 7% on Q3 2017



19m customers supported across the UK<sup>(1)</sup>

(1) As at June 2018.

## Our Brands



NatWest



Royal Bank of Scotland



Ulster Bank



Lombard



Child & Co.

DRUMMONDS



HOLT'S  
MILITARY  
BANKING



ISLE OF MAN BANK



RBS  
— International —



NatWest  
Markets

## Q3 – Good performance in a highly competitive market

Stable income<sup>(1)</sup>



Reducing cost



Strong capital



Note: The targets, expectations and trends discussed 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 pages 372 to 402 of the Annual Report and Accounts 2017 and the "Summary Risk Factors" on pages 48-49 of the Interim Results 2018.

(1) Excluding NatWest Markets and Central items and notable items in UK PBB and Commercial Banking.

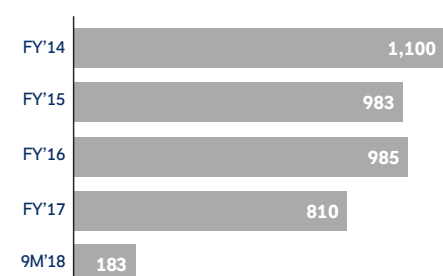
# Q3 2018 results by business

(£bn)	UK PBB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other <sup>(1)</sup>	Total RBS
<b>Income</b>	<b>1.6</b>	<b>0.2</b>	<b>0.8</b>	<b>0.2</b>	<b>0.2</b>	<b>0.6</b>	<b>0.2</b>	<b>3.6</b>
Operating expenses	(1.0)	(0.2)	(0.4)	(0.1)	(0.1)	(0.5)	(0.2)	(2.4)
Impairment (losses)/releases	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	0.0	(0.2)
<b>Operating profit</b>	<b>0.5</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.0)</b>	<b>1.0</b>
Funded Assets	195.6	25.3	144.0	21.4	29.0	120.9	51.1	<b>587.3</b>
Net L&A to Customers	163.2	19.2	90.1	14.2	13.0	19.7	0.2	<b>319.6</b>
Customer Deposits	183.4	18.1	96.4	27.2	27.0	12.8	1.1	<b>366.0</b>
RWAs	45.4	16.5	69.0	9.5	6.9	46.5	0.7	<b>194.5</b>
LDR	89%	106%	94%	52%	48%	154%	n.m	<b>87%</b>
<b>RoE (%)<sup>(2)</sup></b>	<b>21%</b>	<b>(13%)</b>	<b>7%</b>	<b>17%</b>	<b>27%</b>	<b>2%</b>	<b>n.m</b>	<b>5%</b>
Cost : Income ratio (%) <sup>(3)</sup>	61%	111%	54%	56%	39%	84%	n.m	<b>67%</b>

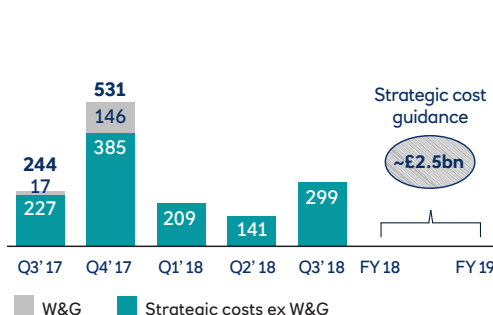
(1) Central items includes unallocated transactions which principally comprises RMBS charges and volatile items under IFRS. (2) RBS's CET 1 target is in excess of 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 14% (Ulster Bank Rol), 11% (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.

## Strong record on cost reduction

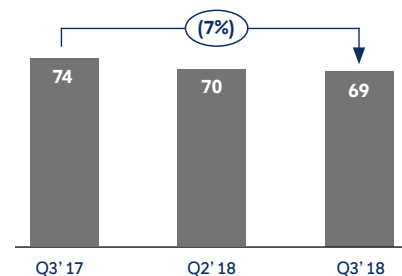
FY cost reduction (£m)



Strategic costs (£m)



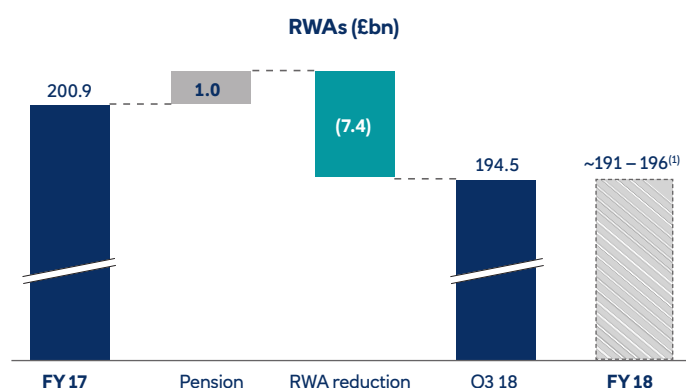
FTE profile ('000s)



## Litigation and conduct

Comments	
<b>US RMBS</b>	<ul style="list-style-type: none"> <li>Reached final settlement on 14th August with US DOJ for US RMBS for \$4.9bn</li> <li>This settlement amount was paid in September.</li> </ul>
<b>Payment Protection Insurance</b>	<ul style="list-style-type: none"> <li>Additional £200m PPI provision was taken reflecting greater than predicted volumes</li> <li>RBS has made provisions totalling £5.3bn to date for PPI claims. £4.5 billion had been utilised by 30 September 2018 of which £142m in the quarter</li> <li>£803m balance sheet provisions (including for Plevin commission claims) remaining.</li> </ul>

## Continued RWA reductions...

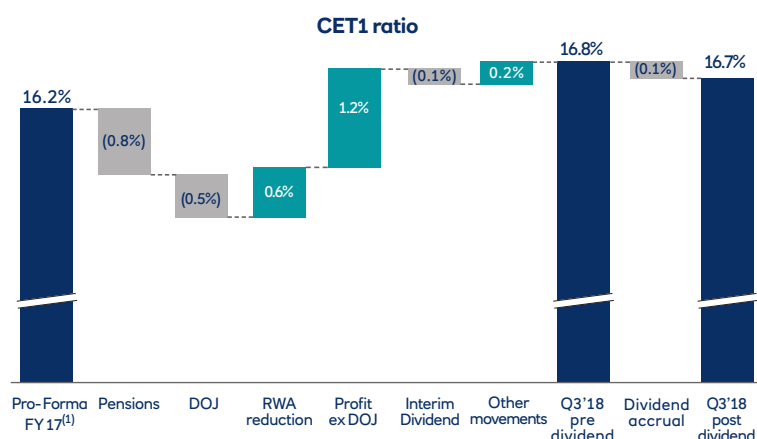


### RWA Outlook<sup>(1)</sup>

- Expect RWAs to reduce by £5-10bn by year end 2018 (vs. FY 2017)
- Mortgage risk weighting expected to increase RWAs by £12bn in H2 2020
- Basel 3 amendments currently assumed to inflate RWAs by 10%, or around £20bn in 2021/2022.

(1) Expect the final merger agreement over Alawwal Bank to be completed in H1 2019, during next year we expect this to create an additional 40bps of CET1 capital.

## ...Support strong capital build



(1) FY17 after IFRS9 day 1 impact.

(2) Subject to passing the 2018 Bank of England Stress Test. We would not expect any such additional distributions until 2019.

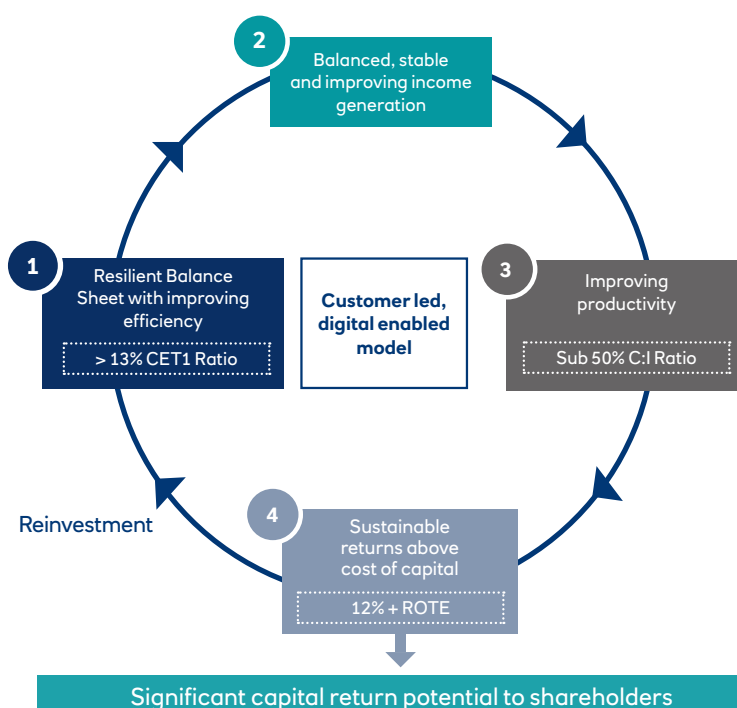
### Dividend Expectations

- Paid an interim dividend of 2p per ordinary share in October 2018
- Ordinary dividend pay-out ratio expected to build to around 40% of attributable profits
- We will consider further distributions in addition to regular dividend pay-outs<sup>(2)</sup>.

## 2020 investment case

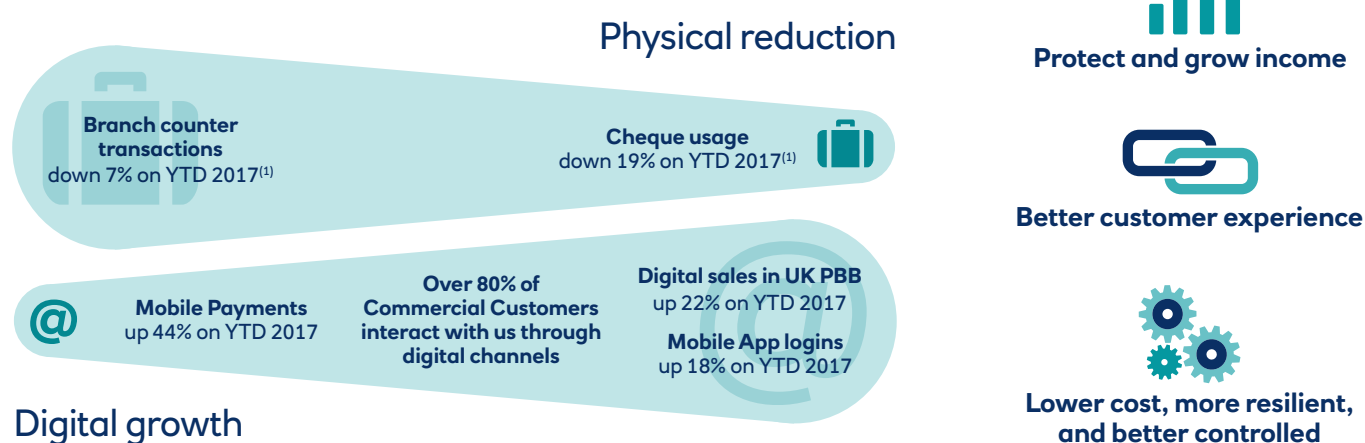
### The bank we are becoming

- A leading UK Retail and Commercial Bank with a focused Markets division
- 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: >13% CET1 Ratio
- Significant distribution potential.



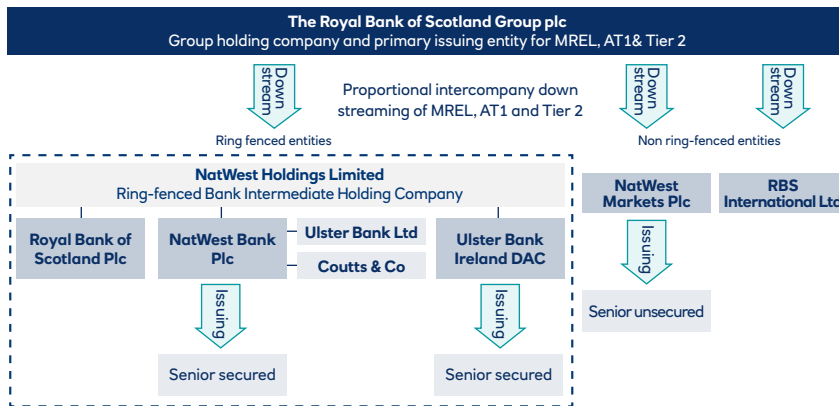
## Shift from physical to digital continues at pace

### Continued focus on investment in digital channels



(1) Based on volumes from YTD August 2017 to YTD August 2018. All other figures are YTD September 2018 vs YTD September 2017.

# Illustrative future ring-fenced structure and issuing entities



- HoldCo sole issuing entity for MREL under single point of entry model with ~£4-6bn annual issuance requirement
- Ring-fenced OpCos deposit funded with some senior secured issuance to support funding diversification
- NWM plc issuing senior unsecured

## Positive momentum on ratings in 2018

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

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

- Resolution of DoJ and Pension Fund led to positive action on our ratings from all three agencies
- Moody's upgraded the senior unsecured ratings of RBSG to Baa2
- S&P upgraded the ratings of the ring-fenced OpCos and RBSI and affirmed the rating of NatWest Markets Plc
- Fitch upgraded the ratings of NatWest Bank Plc and Ulster Bank Ltd and assigned a final rating to the newly renamed Royal Bank of Scotland plc
- HoldCo and the OpCos now on positive outlook across all three agencies.

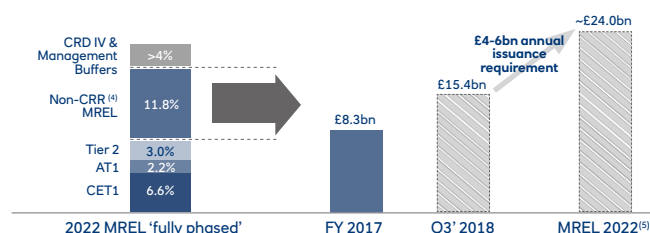
## On track to meet future MREL<sup>(2)</sup> requirements

### Future LAC requirement<sup>(1)</sup>

Based on BoE June 2018 guidance

### Progress toward future non-CRR MREL needs<sup>(4)</sup>

Based on current £195bn RWA and static regulatory capital requirements<sup>(3)</sup>

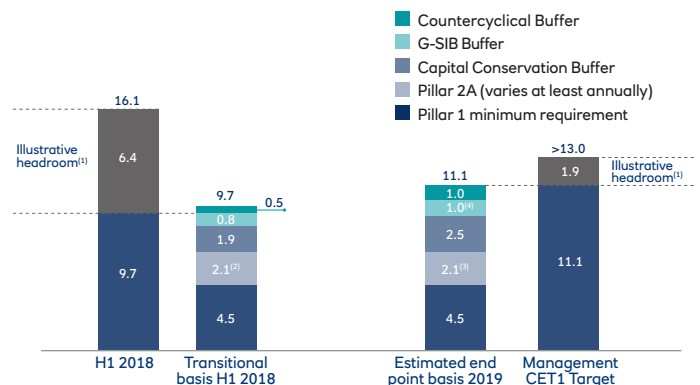


(1) LAC: Loss Absorbing Capital, comprising total MREL and CRDIV buffers. (2) Minimum requirement for own funds and eligible liabilities. (3) Illustrative only, both RWA and future capital requirements subject to change. (4) Non-CRR MREL = Loss Absorbing Capital not required to be met by CRDIV compliant regulatory capital. (5) 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. (6) For further information please see 'Loss Absorbing Capital' disclosure in the appendix.

## Strong CET1 versus MDA

### Target CET1 ratio versus maximum distributable amount ("MDA"), %

Illustration, based on assumption of static regulatory capital requirements



(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 3.9% of RWAs as at 31 December 2017. 56% of the total Pillar 2A requirement, must be met from CET1 capital. (3) 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. (4) 0.5% Countercyclical Buffer introduced from June 2018, expected to increase to 1.0% from November 2018.

## Our Investor Relations team is available to support your research

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