



# Full Year 2019 Results & Investor Update



# Agenda



## Topic Presenter

Introduction and macroeconomic context

**Howard Davies** 

2019 results

Alison Rose, Katie Murray

Investor update

Alison Rose

Investment case and target financial shape

Katie Murray







Our Customer Brands























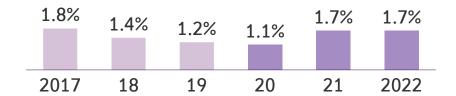


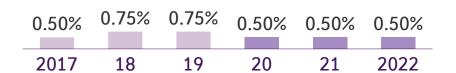
## Macroeconomic context



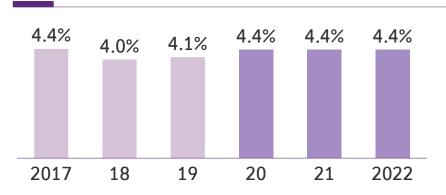
## UK gross domestic product growth<sup>1</sup>

## Bank of England base rate<sup>2,3</sup>

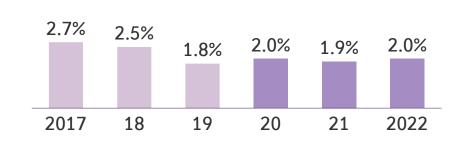




## UK unemployment rate<sup>1,3</sup>



#### UK inflation rate<sup>1,4</sup>



## Challenges remain for banks:

- Subdued GDP growth outlook
- Low rate environment
- Prevailing uncertainty



## Solid financial performance, sets foundation for future success

Generating Returns		Growing	Growing Lending		Reducing Cost		Returning Capital	
£4.2bn	FY'19 Operating profit before tax up £0.9bn on FY'18	3.7%2	Net lending growth – exceeding our 2019 target	£310m <sup>1</sup>	Other expenses in FY'19 exceeded our 2019 target	£1bn <sup>4</sup>	Final ordinary and special	
£3.1bn	FY'19 Attributable profit up £1.5bn on FY'18	£33.3b	n <sup>3</sup> Gross new mortgage lending	£4.5bn¹	Cumulative cost reduction since FY'14	£2.7bn <sup>4</sup>	Total shareholder returns for FY'19	
9.4%	FY'19 Return on Tangible Equity; excluding FX gain: 4.7%	£5.0bn	Gross new SME & mid- corps lending	65.1%	Cost-income ratio in FY'19	Well placed	to participate in any future Government sell-down	

The results in this presentation relate to The Royal Bank of Scotland Group plc which is intended to be renamed NatWest Group plc later this year

Forward-looking considerations: The targets, expectations and trends discussed in this presentation reflect management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 281 to 295 of the 2019 Annual Report and Accounts. These statements constitute forward-looking statements, please see Forward Looking Statements on slide 56 of this presentation.

NOTE: Numbers are all un-adjusted for Alawwal gains / PPI

<sup>1</sup> Excluding conduct, litigation and strategic costs 2 Across UK Personal Banking, Ulster Bank Rol, Commercial Banking & Private Banking 3 Referring to UK Personal Banking only 4 Assuming shareholder approval of final ordinary dividend of 3p per share and special dividend of 5p per share

## Continued progress on culture, customer advocacy and innovation

#### Culture

Banking
Standards
Roard

**Top quartile on average** 2019 Banking Standards Board Survey

# Corporate Chartered Status

First bank to receive award from the Chartered Banker Institute

## **Customer Advocacy**

## **NPS**

#1 commercial bank<sup>1</sup>
More work to do across
Personal & Business



NatWest Voted Best Mortgage Provider British Bank Awards 2019<sup>2</sup>

#### **Innovation**



Launched and used by customers



NatWest Bankline Mobile
4.8 rating in the Apple App
store

## We are in a position of strength with opportunities to improve

## Positions of strength

Strong customer franchises and marketleading positions

Strong track record of cost reduction

Broad and wide-ranging innovation portfolio

Sound balance sheet

## **Opportunities**

Meet broader set of customer needs across life stages to maximise customer potential and protect revenue

Simplify and re-engineer to increase customer satisfaction and convenience in key segments

Continue to test and iterate with customers whilst scaling up and leveraging partners

Refocus NatWest Markets with a customer and capital returns focus

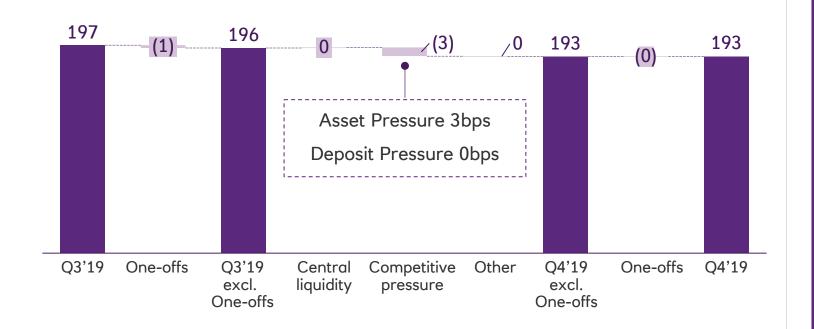


## Q4 2019 summary financials

£m	Q4'19	Q4'19 vs. Q4'18	Q4'19 vs. Q3'19
Total income	4,233	38%	46%
Operating expenses	(2,527)	2%	(6%)
o/w Other expenses	(1,905)	(6%)	10%
o/w Strategic costs	(537)	51%	150%
o/w Litigation & conduct costs	(85)	(8%)	(89%)
Impairment losses	(160)	n.m.	(25%)
Operating profit/ (loss)	1,546	170%	n.m.
Тах	(37)	(69%)	(82%)
Prefs/ MI/ Disc ops	(99)	(41%)	(7%)
Attributable profit / (loss)	1,410	n.m.	n.m.
Attributable profit / (loss) ex. FX gain	176	(38%)	n.m.
Cost:income ratio	59.4%	(21pp)	(34pp)
RoTE <sup>1</sup>	17.7%	14pp	22pp

## Continued net interest margin pressure

## Bank NIM, bps



Future considerations

Rate sensitivity

Reduction in liquidity

Asset and liability pressures

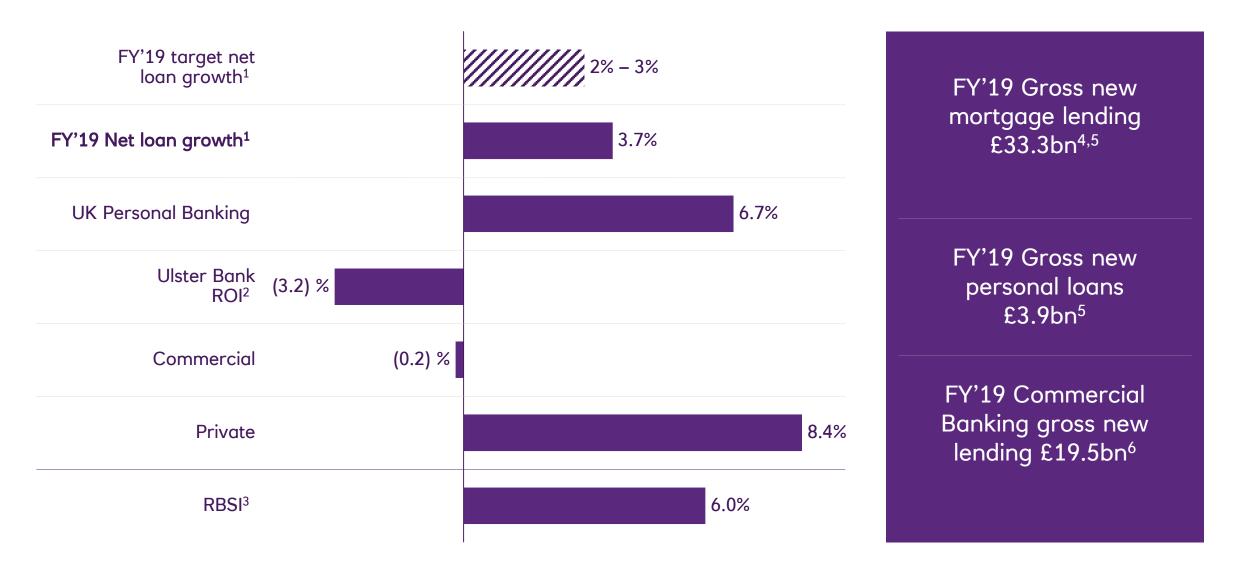
Economic uncertainty

AIEAs<sup>1</sup>, £bn

415.8

419.6

## Loan growth exceeded 2019 target

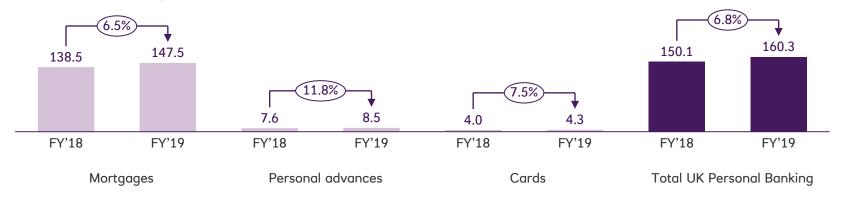


<sup>1</sup> Net loan growth across Personal, Ulster Rol, Commercial and Private, presented in GBP 2 Ulster Rol FY'19 growth shown in euros is +1.9% 3 RBSI includes £0.5bn transfer from NatWest Markets 4 Gross new lending, including additional borrowing 5 Referring to UK Personal Banking only 6 New drawn lending and any re-financing resulting in a new facility or the opening of a new account, excluding overdrafts and supplier finance.

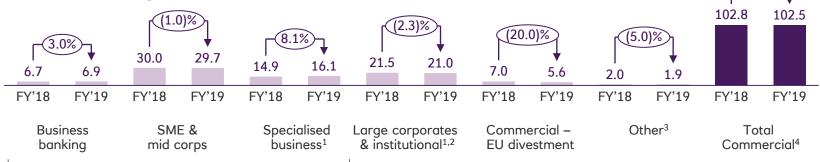
## Loan growth by product and sector

#### Gross L&A Growth, £bn

#### **UK Personal Banking**



#### **Commercial Banking**



FY'19 Gross new card customers c.275k

FY'19 Gross new current accounts c.700k

(0.3)%

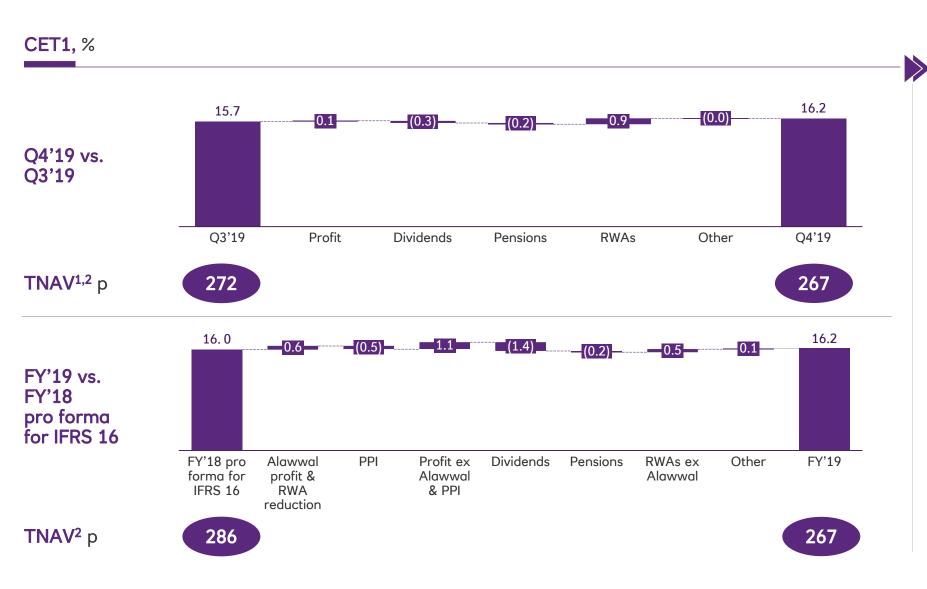
FY'19 New FreeAgent customers c.22k

2.1%

<sup>1</sup> Adjusted for transfer of transaction services in FY'18 of £3.1bn from Specialised Business to Large corporates and institutions 2 Includes WE business segment, which will be partially transferred to NWM N.V.

<sup>3</sup> Other includes shipping and project finance 4 Total Commercial also includes Real Estate.

## Strong capital generation



Generated
110bps of capital
from profits in
FY'19, excluding
Alawwal profits
and PPI

## FY'19 update on progress

Net loan growth	<ul> <li>3.7% FY'19 net loan growth across Personal, Ulster Rol, Commercial &amp; Private</li> <li>Exceeded 2-3% net loan growth target in 2019</li> </ul>						
Continuing cost reduction	<ul> <li>Reduced other expenses by £310m in FY'19</li> <li>Exceeded our £300m FY'19 target</li> </ul>						
Capital generation	<ul> <li>CET1 ratio at 16.2%</li> <li>Generated 110bps of capital from profits (ex. Alawwal and PPI) for FY'19</li> <li>RWAs decreased by £9.5bn, at £179.2bn vs. £185–190bn FY'19 guidance</li> </ul>						
Capital returns	<ul> <li>3p Ordinary, 5p Special</li> <li>£2.7bn of dividends in FY'19</li> <li>Well placed to participate in any future Government sell-down</li> </ul>						
	FY'19 RoTE 9.4% FY'19 RoTE 4.7% (ex. FX gains)						

Investor update: Alison Rose, Chief Executive Officer



## Agenda

A solid foundation to build from

Facing into unprecedented disruption

Our purpose-led strategy

Refocusing NatWest Markets

Investment case that delivers sustainable returns

## Solid foundation and position of strength in serving people, families and businesses

Customer base

Market position

Financial strength

A leading UK bank

#1 Commercial bank<sup>1</sup>

Strong capital base

19m customers

businesses bank 1 in 4 with us; gross new lending growing every quarter in 2019

16.2% CET1 ratio in FY'19

Growing support for homeowners

A leading supporter of startups

Resilient balance sheet

>40k first time house buyers we supported in 2019

>65k

banked in 2019

Total shareholder £2.7bn² returns for FY'19 – capital generative and track record of capital returns

## Safe, simple, smart

<sup>1</sup> Based on NPS. Source: MarketVue Business Banking from Savanta, YE Q4 2019. Based on interviews with businesses with an annual turnover over £2 million. Latest base sizes: 586 for NatWest (England & Wales), 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 2 Assuming shareholder approval of final ordinary dividend of 3p per share and special dividend of 5p per share

## Supporting every region in the UK and Rol

£6 in every £10 lent to SMEs and UK mortgage customers is **outside of**London and the South East

Biggest supporter of manufacturing: banking **29**k manufacturers across the communities we serve

c.£3.7bn of lending to the agricultural sector<sup>1</sup>, 130 independently accredited specialists across the UK

Supporting >68K transport, technology and communication customers helping to better connect the UK

c.12.2k branch staff, community bankers, and Relationship Managers supporting our Personal and Business customers

Regionally focused support through our **regional board** network

#### Supporting People



- 7.7m people reached through MoneySense lessons since 1994
- Over 600 remote locations reached through Mobile Branches

#### **Supporting Families**



- Helped 120k 11-18 year olds open a bank account in 2019
- c.1.9m Financial health checks since 2018

#### **Supporting Businesses**



- 12 accelerator hubs have supported over 19,000 entrepreneurs since launch
- £1bn fund launched to support female entrepreneurs
- Commercial banking gross new lending growth in every quarter of 2019

#### **Supporting Colleagues**



 First bank to be awarded Corporate Chartered status by the Chartered Institute of Bankers, supporting our ambition to be the most professional bank

## Preparing for unprecedented disruption in society

	Trends	Insights
•	People	2.5m+ more people over 55 years old by 2025 <sup>1</sup> c.50% of all growth in 70+ population in rural areas <sup>2</sup>
	Housing	>50% of potential future retirement income locked in property <sup>3</sup> Private renters outnumber mortgage holders, among under 45 year olds, by 2029 <sup>4</sup>
	Work	<ul> <li>c.16% of UK adults self-employed by 2025<sup>5</sup></li> <li>30% of jobs at potential risk of automation by mid-2030s<sup>6</sup></li> <li>c.2/3 growth for IP-based businesses vs. 1/3 other sectors in the next 10 years<sup>7</sup></li> </ul>
•	Digital	83% of SMEs use a mobile banking app <sup>8</sup> 77% of consumers willing to share information for personalised recommendations <sup>9</sup>
	Climate	UK to bring <b>all greenhouse gas</b> emissions to <b>net zero by 2050</b> <sup>10</sup> <b>1/6</b> properties in the UK are located in areas with significant flooding risk <sup>11</sup> <b>85%</b> of Britons are now concerned about climate change, with <b>52%</b> very concerned <sup>12</sup>

<sup>1</sup> ONS on Population Projections, 2019 – 2018 data 2 ONS on subnational population projections, 2019 – 2016 data 3 ONS on Wealth in Great Britain, "How to close the savings gap" by KPMG 4 Based on 35-44 cohort; English Housing Survey, 2018-2019; extrapolated 5 ONS on Employment by occupation, 2018; extrapolated 6 'How will automation impact jobs?' by PwC 7 ONS on business demography, 2017, extrapolated 8 Unisys SME Survey 2018 9 State of the Connected Consumer Report 2018 10 Press release by Department for Business, Energy & Industrial Strategy, 2019 11 "Flooding Statistics UK" by Rainbow International 12 'Concern' about climate change reaches record levels with half now 'very concerned' by Ipsos Mori

## A purpose-led bank responding to the changing needs of all stakeholders

## Simple to deal with

Reengineering-led simplification to drive better customer experience and colleague engagement

## Powered by innovation and partnerships

Strong pace of business model innovation and partnership

Supporting
customers at every
stage of their lives
Evolve our propositions

Evolve our propositions to reflect changing customer behaviour

We champion potential, helping people, families and businesses to thrive

Sharpened customer and capital allocation focus

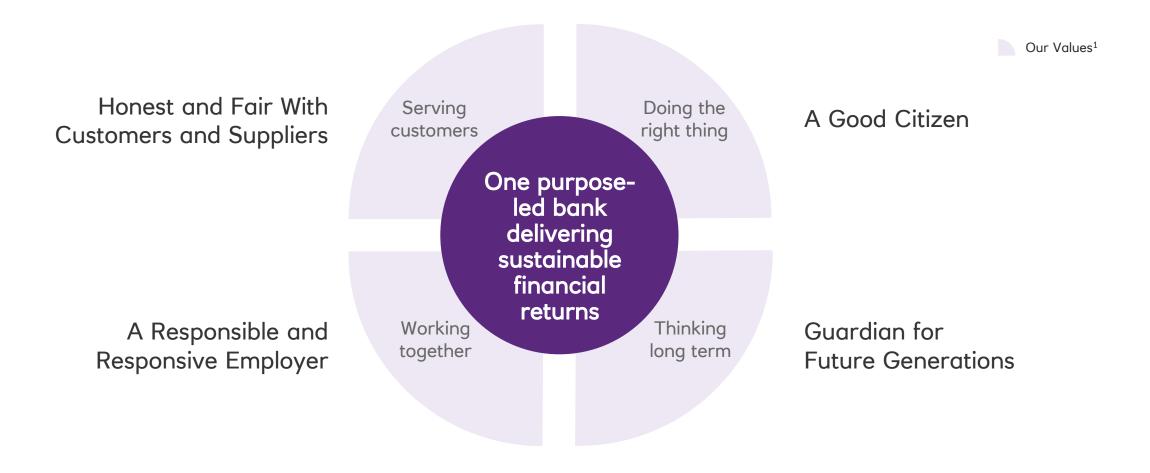
Refocus NatWest Markets to meet the needs of customers – capital ratio accretive

#### Sustainable Returns

Financially and operationally resilient with medium to long term RoTE of 9-11%

## We champion potential, helping people, families and businesses to thrive





We will balance the needs of all our stakeholders

## Areas of focus aligned to the most pressing issues for our stakeholders



Our areas of focus	Enterprise		Leading learning organisation; enhancing the financial ability of the UK & Rol and the skills of employees		Leading bank in the UK & Rol helping to address the climate challenge	
Our ambition	Our ambition The biggest supporter of start-ups in the UK & Rol					
Successes to date	12	Accelerator hubs operated	25	Years of operation of MoneySense education programme	£10bn	Funding and financing to sustainable energy (since 2018)
Our targets	50k	Incremental new businesses created by 2023 through inspiring and supporting 500k+ people	2.5m	People reached through financial capability interactions each year	Climate positive <sup>1</sup>	Own operations by 2025
	60%	Of those inspired and supported will be female	2m	Additional customers helped to start saving by 2023	50%²	Of our UK & RoI customers' homes at or above EPC or equivalent rating C by 2030
	75%	Of those inspired and supported will be based outside London & South East	100%	Front-line colleagues professionally qualified/accredited within first 12 months in role	£20bn³	Additional funding and financing for climate and sustainable finance by 2022
External Recognition	NatWest Accelerator hubs endorsed by the Scale Up Institute		First bank to be awarded Corporate Chartered Status by the Chartered Banker Institute		Leading lender to the UK renewables sector by number of transactions (last 10 years, 2009-2019)	

<sup>1</sup> Climate positive refers to an organisation capturing more carbon than it emits over a given period of time 2 Percentage of aggregate UK & Rol mortgage book exposure

## A leading UK & Rol bank helping to address the climate challenge



Ambitious aims...

Climate positive own operations within 5 years

At least halve the climate impact of our financing activity by 2030

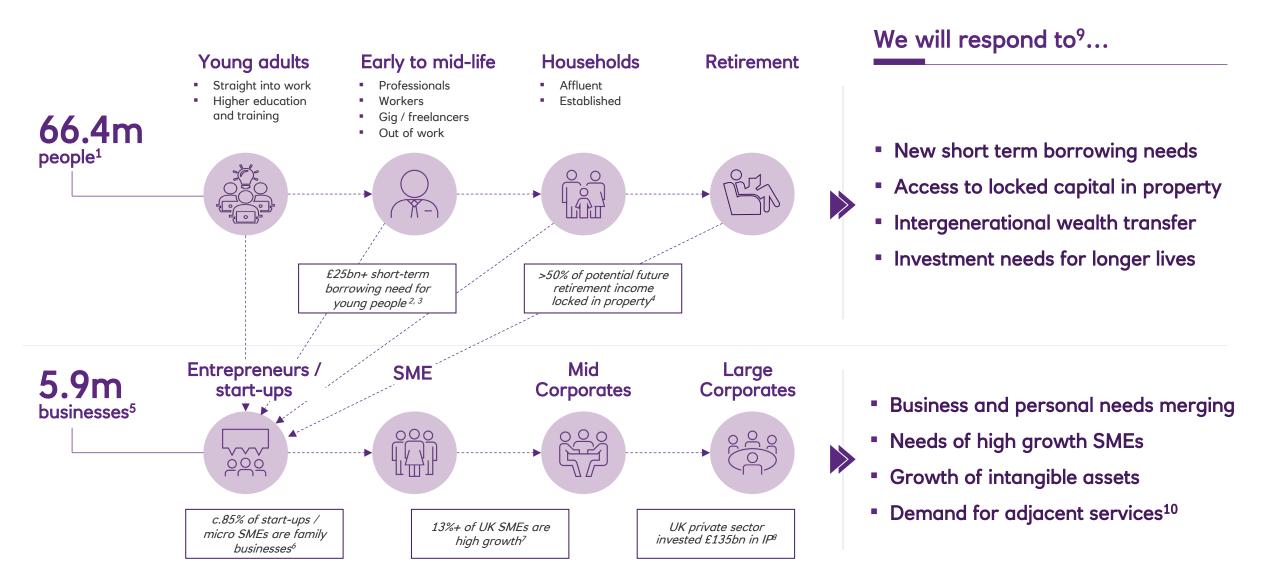
... with achievements to date and a set of short-to-medium term commitments Short-to-medium term commitments **Achievements** Supporting clients No project finance to new coal fired ☐ Stop lending and underwriting to companies² with power stations and new thermal coal more than 15% of activities related to coal<sup>3</sup>, unless they have a credible transition plan in line with the mines 2015 Paris Agreement by end of 2021; full phase-Helping to end most No lending to mining/power companies out from coal by 2030 harmful activity with 40%+ of activities from coal<sup>1</sup> Stop lending and underwriting to major oil & gas producers without a credible transition plan in line with the 2015 Paris Agreement by end of 2021 Mobility Opportunity Group created to ☐ Support our UK & Rol mortgage customers to Accelerating speed of support drive to decarbonise UK become more energy efficient with an ambition transition transport that 50% of our mortgage book is at or above EPC or equivalent rating of C by 20304 £10bn to sustainable energy funding ☐ Additional £20bn funding and financing for Championing climate and financing between 2018-20 (target climate and sustainable finance between solutions substantively met 1 year early) 2020-20225 Internal ambition 61% reduction in emissions from Revise executive remuneration to reflect operational footprint vs. 2014 achieving climate targets Embedding into our culture and decision **Board Committee** on sustainability Quantify our climate impact, and define making sector-level targets by 2022 **Principles for Responsible Banking** 

signatory

<sup>1</sup> Except where an existing customer is demonstrating a clear transition towards this threshold 2 Mining/trading and power generation/retail 3 Thermal and lignite coal 4 Percentage of aggregate UK & Rol mortgage book exposure 5 Pursuant to Climate and Sustainable Finance Inclusion Criteria, available on RBS.com

## Evolve our propositions to support our customers at every life stage





<sup>1</sup> ONS on United Kingdom population mid-year estimate 2019, 2018 data 2 ONS' Wealth and Asset survey, 2018 3 Short-term borrowing includes credit card balance, value of store cards, hire purchase, all formal loans (excl student, friends and family), loans from family and friends, mail order arrears, hire purchase arrears, loan arrears, bill arrears, overdrafts, etc; young people refer to 25-34 years old 4 ONS on Wealth in Great Britain, "How to close the savings gap" by KPMG 5 ONS on Business population estimates for the UK and regions, 2019 6 The State of the Nation – The UK Family Business Sector, 2018-2019 7 SME refers to companies with turnover between £2-250m; based on ONS on UK enterprises by turnover size band, and high growth enterprises by turnover size band 2019, 2017 data 8 ONS on Experimental estimates of investment in intangible assets in the UK 2019, 2016 data 9 Examples not exhaustive 10 E.g., insurance

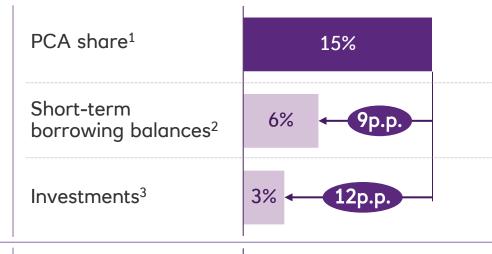
## Taking a whole life view will unlock opportunities



#### Pre-empt and meet customers' existing needs

Innovate to meet a set of growing needs<sup>8</sup>

RBS share of personal / private products, %

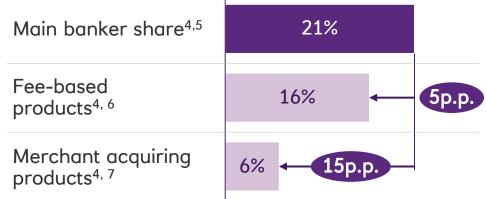


Non-standard / flexible mortgages

Decumulation propositions and advice

Banking the whole family

RBS share of commercial products, %



Rental ecosystem and rent-to-buy propositions

Specialist propositions for new economy commercial customers<sup>9</sup>

<sup>1</sup> Main current account stock share based on Ipsos Mori Q4 2019 12 month rolling basis 2 Stock share based on credit card and personal advances on BofE data, 2019 3 AuM share based on ONS and the annual Wealth surveys, 2018; investment market share excludes property, pension wealth, and cash savings 4 Share of the number of businesses used products in the past 12 month based on Savanta MarketVue Business Banking survey in FY19 Q4; Data weighted by region and turnover to be representative of businesses in GB; n=4,744 for Current account, n= 1,541 for payments abroad, n=1,067 for FX; n=2,028 for retailer / merchant services 5 BCA share is also 21% based on Savanta MarketVue Business Banking survey in FY19 Q4 6 Payments abroad, and FX shares are used as a proxy 7 Retailer / merchant services share is used 8 Examples not exhaustive 9 Including technology, communications (e.g., Telco), and professional services

## Deliver relationship led banking for a digital world



#### More customers now bank with us digitally



>70% of UK Personal Banking and Ulster Bank Rol customers were digitally active in 2019



**53%** of sales in UK Personal Banking were via digital channels in 2019



>90% of Commercial Banking customer interactions were via digital channels in 2019



>70% of eligible Private Banking clients, used our digital channels in 2019

+11%

+34%



Growth in Bankline payments in 2019<sup>1</sup>



Growth in Mobile payments in 2019

## Evolving our physical interactions to better reflect our customers' needs



#### Customer relationship

High physical demand	<ul><li>✓ Relationship management</li><li>✓ High touch experience</li></ul>				
Medium physical  demand	<ul> <li>✓ Digital enabled with face to face when required</li> <li>✓ Physical network backing up digital proposition</li> </ul>				
Low physical demand	<ul><li>✓ Digital first relationship</li><li>✓ Self-service &amp; automation</li></ul>				

c.4,500

c.11,500

Branches, ATMs, mobile vans, community bankers and BGEs<sup>2</sup>

**UK Post Office** 

#### Physical points of presence

In supporting the shift to digital, we will maintain our physical points of presence while evolving them to meet customer needs and protect our most vulnerable customers

## Improve customer experience and drive further efficiency



#### Clear aims for the customer journey transformation...

A step change in **customer** experience

Simpler, more automated employee experience

**Efficient** end to end processes

Fewer stalling points and hand-offs to grow revenue

Migrate 2/3 volumes<sup>1</sup> to digital platforms

branches to replace separate platforms

Deploy online onboarding platforms in



#### ... Accelerated with a new focus

#### **Example activities**

Greater adoption



Train front-line staff, e.g., to guide customers to self-assisted tools Deploy digital tools at branches, e.g., online credit decision engine deployed for use by relationship managers in points of presence

End-to-end reengineering



Deploy tools (analytics, zero based design) and an e2e team setup to simplify systems and processes, e.g., reduce hand-offs between front-line and credit teams for loan application review

**Predictive** analytics



Automate call routing to support users struggling with servicing on app Equip front-line staff with predictive tools, e.g., offering new loans based on customer profile

What this means in practice, retail account opening example (not exhaustive)



Customer requests account



#### **KYC** checks

Leverage Al to increase completion rates of self-serve digital Know Your Customer (KYC) checks



#### **Account creation**

■ Further integrate systems to work better together reducing handoffs



#### Customer use

 Quicker and more intuitive, with Machine Learning driven suggestions for day to day use

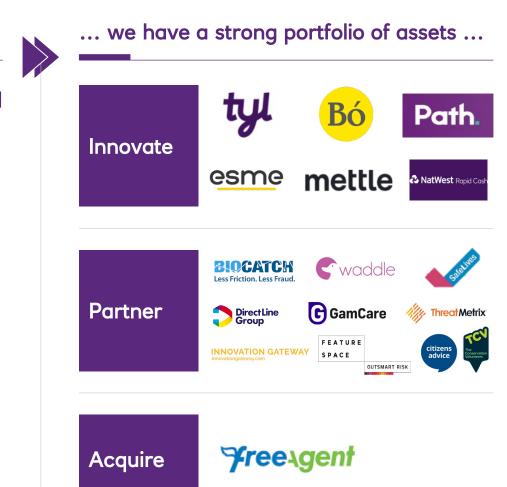
1 Except vulnerable customers

## To power delivery of strategy, continue to innovate and partner



## Based on a number of criteria...

- Aligned to our purpose and strategic imperatives
- ✓ Clear path to scaling
- Falls within our **risk appetite**
- Enables us to become more of a platform bank, integrating our products in 3<sup>rd</sup> party ecosystems and integrating others' into ours



## ... that we continue to strengthen



Helping businesses and communities thrive

## September 2019

Pilot launched

#### 1m+

Transactions processed to date

#### 1,000+

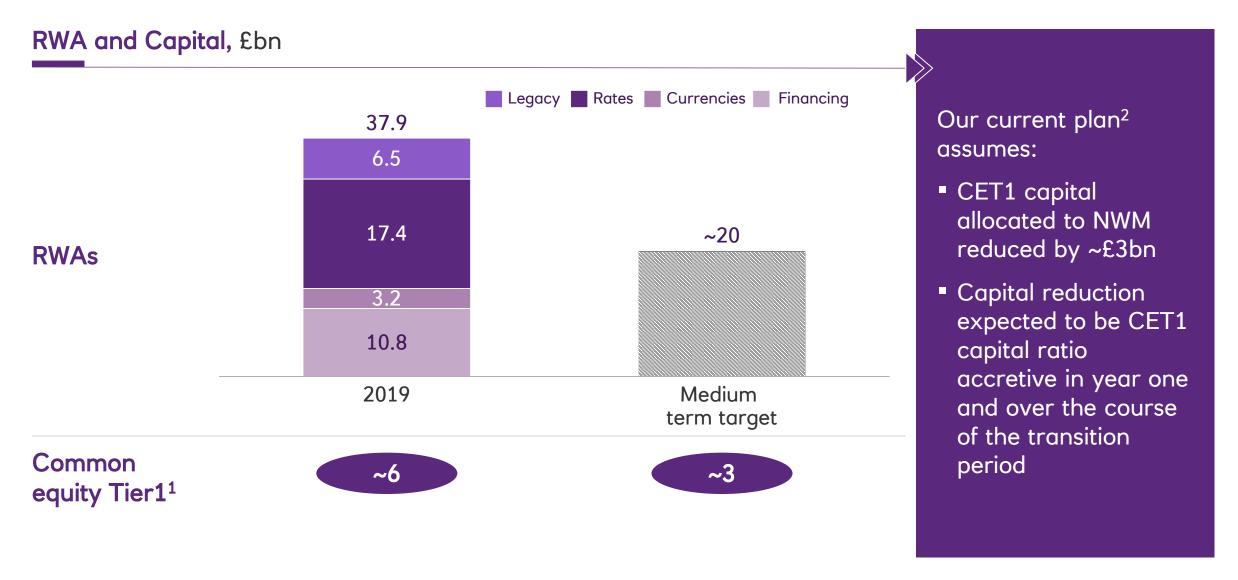
Merchants onboarded to date

#### **NPS**

Customer feedback & positive NPS

## Reducing the capital committed to NatWest Markets by c.50%





# Serving our corporate and institutional customers with a refocused business



Commercial Banking



#### Franchise view

SME / business banking

Large / mid corporates

NatWest Markets

#### **Customer view**

Non-corporate & institutional customers

Corporate and institutional customers

Non-corporate & institutional customers

Illustrative corporate and institutional customers expected to deliver c.8% ROE in the medium to long term<sup>1</sup>



Simplified product suite – serving currencies, rates and financing activities with a substantial reduction in capital allocated to institutional rates

**Leaner operating model** – more heavily leveraging ringfenced bank infrastructure

**Integrated customer coverage** – for future growth opportunities

#### Investment case



## Key messages

#### Purpose-led decision making

Solid customer businesses with ability to grow

Simple to deal with

Powered by innovation and partnerships

Robust balance sheet with strong capital generation

#### Financial outcomes<sup>1</sup>

Medium to long term RoTE target of 9-11%

Revenue opportunities to help counteract low rate environment. Lending target greater than 3%<sup>2</sup>

Operating cost<sup>3</sup> reduction of £250m in 2020 and ongoing reductions in the medium to long term

Investing to create future revenue opportunities

Refocusing NatWest Markets to drive RWA reduction of c.50% in the medium term

Medium to long term CET1 ratio of 13-14% with ordinary dividend payout ratio of 40%



## Agenda

Financially resilient

Investing to deliver strategy and cost transformation

NatWest Markets – refocusing NWM, reducing capital in the business by c.50% in the medium term

Investment case – sustainable returns of 9-11% RoTE in the medium to long term

# Sound balance sheet FY'19

CET1 ratio	Short-term wholesale funding	Liquidity coverage ratio	Loan : deposit ratio	Funded assets
16.2%	£19.4bn	152%	89%	£573bn

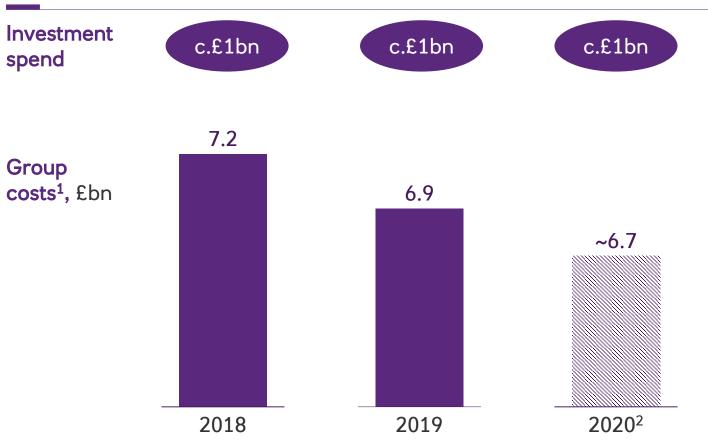
# Building from a position of financial strength FY'19

	Personal	Ulster Rol	Commercial	Private	RBSI	NatWest Markets
RoE, %	21.0 <sup>1</sup>	2.3	8.4	15.4	25.7	(3.2)
Operating profit, £m	855	49	1,327	297	344	(25)
Net lending, £bn	158.9	18.2	101.2	15.5	14.1	8.4
RWAs, £bn	37.8	13.0	72.5	10.1	6.5	37.9

<sup>1</sup> Excluding PPI charges of £900m

#### Continue to invest c.£1bn per year in the business

We have invested c.£8bn over the past 6 years transforming the bank and expect to continue to invest c.£1bn per year...



.... with an increasing focus on Digital and Innovation



c.20%3

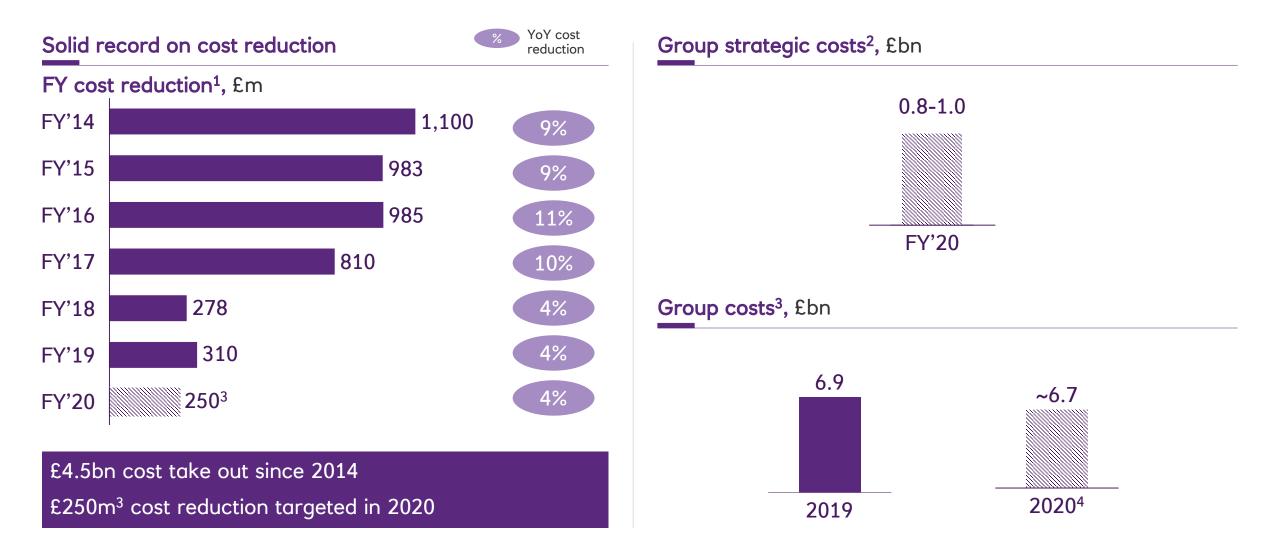
Reduction in mandatory and non-ring fenced bank investment



 $c.30\%^3$ 

Increase in discretionary, innovation and elements of strategic cost<sup>4</sup>

# Building on our strong track record, next wave of reengineering to reduce cost base



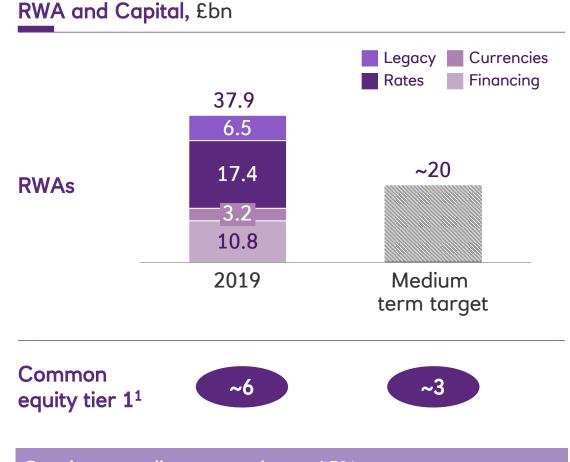
<sup>1 2014-19</sup> other expense reduction includes disposed businesses and movements in operating lease depreciation 2 Includes, but not limited to, restructuring costs 3 Other expenses excluding operating lease depreciation 4 Illustrative 2020 guidance shown as 2019 other expenses excluding operating lease depreciation and £250m committed cost reduction.

### NatWest Markets will be c.10% of the group

#### Capital release, £bn

	Year 1	Medium term, cumulative
NWM RWA reduction	6-8	c.18
NWM associated capital release <sup>1</sup>	c.1.0	c.2.7
NWM strategic costs	c.0.2	
NWM disposal losses	c.0.4	

Including revenue impact from refocusing, current plans assume capital ratio accretive in year one and over the course of the transition period<sup>2</sup>



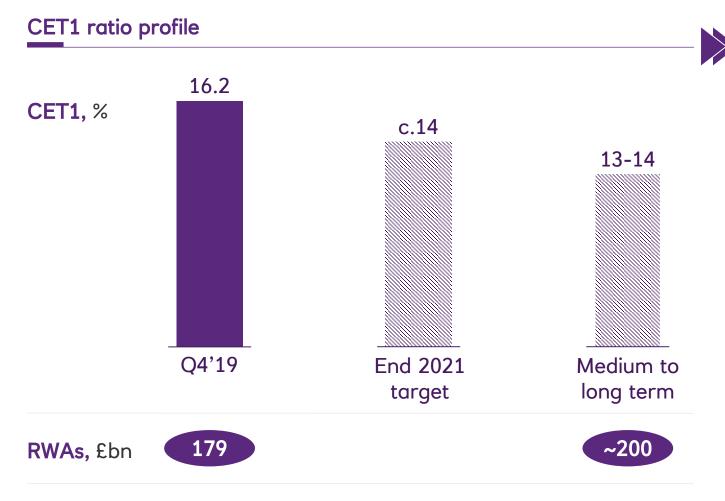
Continue to allocate equity at 15%

Illustrative ROE for our corporate and institutional customers expected to be c.8% in the medium to long term<sup>3</sup>

NatWest Markets franchise capital release and CET1 are implied figures calculated using equity allocated at 15%

<sup>40</sup> 

#### Financially and operationally resilient - Capital generation & distribution



Headwinds from RWA inflation, Pension contribution, Basel 3 amendments, CCyB and climate impact

Including revenue impact from refocusing, NWM current plans assume capital ratio accretive in year 1 and over the course of the transition period<sup>1</sup>

Future organic loan growth funded by profit

To achieve 13-14% medium to long term CET1 ratio:

- We will use ordinary dividend payout ratio of ~40% of attributable profits
- We will consider further distributions including buy-backs and special dividends
- We are well placed to participate in a future Government sell-down

# Financial targets and outlook

	2020 financial targets and outlook	Medium to long term targets and outlook
Regulatory impact	Personal Banking: c.£200m negative impact on income	n/a
Costs	Cost take-out target: £250m <sup>1</sup> Strategic costs target of £0.8-1.0bn for NWM refocus (c.£0.2bn strategic costs and £0.4bn disposal losses) and continued resizing of the Group's cost base	Ongoing operating cost take-out
Impairments	Below 30-40 bps for the impairment loss rate assumption	n/a
Capital	n/a	End 2021 target: c.14% CET1 ratio  Medium to long term target: 13-14% CET1 ratio
Returns	n/a	Group RoTE target: 9-11%
RWAs	c.£185-190bn RWAs by the end of FY'20 including an estimated c.£10.5bn increase associated with implementation of Bank of England mortgage floors	Basel 3 amendments c.5-10% phased across 2021-2023. Details still subject to regulatory uncertainty on both quantum and timing
NWM RWAs	Reducing by £6-8bn in the first year	Medium term target: c.£20bn Including revenue impact from refocusing, current plans assumed to be capital ratio accretive in year one and over the course of the transition period <sup>3</sup> (after accounting for strategic costs and disposal losses)
Lending	Greater than 3% growth across our retail and commercial franchises	n/a
Dividends and pay-outs	Ordinary dividends are expected to be around 40% of attributable profit Directed buybacks of the UK government <sup>2</sup> stake limited to 4.99% of issued share capital in any 12 month period Committed to make further pre-tax contributions to the pension scheme of up to £1.5bn in aggregate from 1 January 2020 linked to future distributions to RBS shareholders.	n/a

<sup>1</sup> Excludes operating lease depreciation, conduct, litigation and strategic costs 2 Dependent upon HMT's intentions 3 Continue to refine plan over the transition period See forward looking considerations on slide 6

#### Investment case

#### Key messages

Purpose-led decision making

Solid customer businesses with ability to grow

Simple to deal with

Powered by innovation and partnerships

Robust balance sheet with strong capital generation

#### Financial outcomes<sup>1</sup>

Medium to long term RoTE target of 9-11%

Revenue opportunities to help counteract low rate environment. Lending target greater than 3%<sup>2</sup>

Operating cost<sup>3</sup> reduction of £250m in 2020 and ongoing reductions in the medium to long term

Investing to create future revenue opportunities

Refocusing NatWest Markets to drive RWA reduction of c.50% in the medium term

Medium to long term CET1 ratio of 13-14% with ordinary dividend payout ratio of 40%





## FY 2019 results by business<sup>1</sup>

£bn	UK Personal Banking	Ulster Bank Rol	Commercial Banking	Private Banking	RBSI	NatWest Markets	Central items & other <sup>2</sup>	Total RBS
Income	4.9	0.6	4.3	0.8	0.6	1.3	1.8	14.3
Operating expenses	(3.6)	(0.6)	(2.6)	(0.5)	(0.3)	(1.4)	(0.4)	(9.3)
Impairment (losses) / releases	(0.4)	0.0	(0.4)	0.0	(0.0)	0.1	(0.0)	(0.7)
Operating profit	0.9	0.0	1.3	0.3	0.3	(0.0)	1.4	4.2
Funded Assets	182.3	25.4	165.4	23.3	31.7	116.2	28.7	573.0
Net L&A to Customers	158.9	18.2	101.2	15.5	14.1	8.4	10.6	326.9
Customer Deposits	150.3	18.5	135.0	28.4	30.1	3.7	3.2	369.2
RWAs	37.8	13.0	72.5	10.1	6.5	37.9	1.4	179.2
LDR	106%	98%	75%	55%	47%	n.m.	n.m.	89%
ROE <sup>3</sup>	9.6%	2.3%	8.4%	15.4%	25.7%	(3.2%)	n.m.	9.4%
Cost : Income ratio <sup>4</sup>	74.4%	97.4%	58.9%	62.5%	43.3%	105.7%	n.m.	65.1%

<sup>1</sup> Numbers may not cast due to rounding

<sup>2</sup> Central items & other include unallocated transactions, including volatile items under IFRS, items related to Alawwal bank merger and a US RMBS related reimbursement

RBS's 2021 CET1 target is approximately 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 share dividends, is divided by average notional equity allocated at different rates of 15% (Ulster Bank RoI – 14% prior to Q1'19), 12% (Commercial Banking), 13% (Private Banking – 13.5% prior to Q1'19, 14% from Q1'17 to Q4'17), 16% (RBS International - 12% prior to Q4'17) and 15% for all other segments, of the monthly average of segmental risk-weighted assets equivalents (RWAe) incorporating the effect of capital deductions. RBS return on equity is calculated using profit for the period attributable to ordinary shareholders

<sup>4</sup> Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation. (FY'19 - £138 million).

## Q4 2019 results by business<sup>1</sup>

£bn	UK Personal Banking	Ulster Bank Rol	Commercial Banking	Private Banking	RBSI	NatWest Markets	Central items & other <sup>2</sup>	Total RBS
Income	1.2	0.1	1.1	0.2	0.2	0.3	1.2	4.2
Operating expenses	(0.8)	(0.1)	(0.7)	(0.1)	(0.1)	(0.4)	(0.3)	(2.5)
Impairment (losses) / releases	(0.1)	(0.0)	(0.1)	0.0	(0.0)	0.0	(0.0)	(0.2)
Operating profit	0.3	(0.0)	0.3	0.1	0.1	(0.1)	0.9	1.5
Funded Assets	182.3	25.4	165.4	23.3	31.7	116.2	28.7	573.0
Net L&A to Customers	158.9	18.2	101.2	15.5	14.1	8.4	10.6	326.9
Customer Deposits	150.3	18.5	135.0	28.4	30.1	3.7	3.2	369.2
RWAs	37.8	13.0	72.5	10.1	6.5	37.9	1.4	179.2
LDR	106%	98%	75%	55%	47%	n.m.	n.m.	89%
ROE <sup>3</sup>	14.9%	(1.0%)	7.6%	12.0%	17.3%	(6.5%)	n.m.	17.7%
Cost : Income ratio <sup>4</sup>	65.9%	100.7%	63.9%	69.2%	55.3%	156.8%	n.m.	59.4%

<sup>1</sup> Numbers may not cast due to rounding

<sup>2</sup> Central items include unallocated transactions, including volatile items under IFRS and FX recycling gain

RBS's 2021 CET1 target is approximately 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 share dividends, is divided by average notional equity allocated at different rates of 15% (Ulster Bank Rol – 14% prior to Q1'19), 12% (Commercial Banking), 13% (Private Banking – 13.5% prior to Q1'19, 14% from Q1'17 to Q4'17), 16% (RBS International - 12% prior to Q4'17) and 15% for all other segments, of the monthly average of segmental risk-weighted assets equivalents (RWAes) incorporating the effect of capital deductions. RBS return on equity is calculated using profit for the period attributable to ordinary shareholders.

<sup>4</sup> Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation. (Q4'19 - £35 million).

# Adjusted financials - 2019

£m	FY'19	Adjusted FY'19 <sup>1</sup> (income ex. FX recycling gain)
Total income	14,253	12,794
Operating expenses	(9,325)	(9,325)
o/w Other expenses	(7,049)	(7,049)
o/w Strategic costs	(1,381)	(1,381)
o/w Litigation & conduct costs	(895)	(895)
Impairment losses	(696)	(696)
Operating profit/ (loss)	4,232	2,773
Tax	(432)	(545)
Prefs/ MI/ Disc ops	(667)	(667)
Attributable profit / (loss)	3,133	1,561
Cost:income ratio	65.1%	72.6%
RoTE	9.4%	4.7%
CET1 ratio	16.2%	16.2%
TNAV <sup>2</sup>	267p	267p

<sup>1</sup> Adjusted FY'19 is excluding £1,459m FX gain 2 TNAV on a fully diluted basis

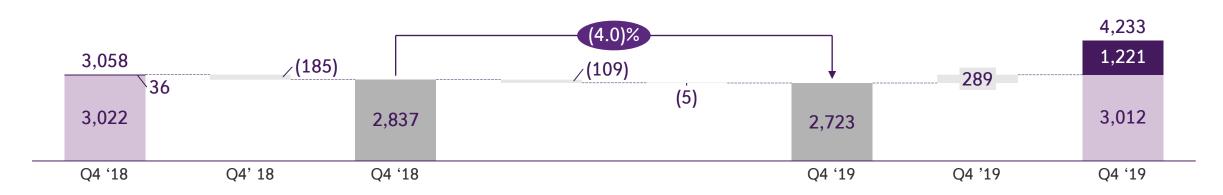
## Notable items

£m	FY'19	Q4'19	Q3'19	Q2'19	Q1'19	FY'18	Q4'18	Q3'18	Q2'18	Q1'18
Alawwal Bank merger gain on disposal	444	-	-	444	-	-	-	-	-	-
FX recycling gain	1,459	1,169	-	290	-	-	-	-	-	-
Provisions release	256	-	-	256	-	-	-	-	-	-
Other Strategic Disposals	45	-	-	45	-	-	-	-	-	-
IFRS volatility in Central items	9	43	(51)	21	(4)	(59)	(25)	77	17	(128)
Insurance Indemnity	-	-	-	-	-	357	85	272	-	-
UK Personal Banking Debt Sale	49	31	16	-	2	61	35	-	-	26
FX (loss)/gain in Central items	21	(1)	2	-	20	(46)	(39)	(11)	19	(15)
Commercial Fair Value and Disposal (loss)/gain in income	(16)	1	-	(15)	(2)	169	(10)	(13)	115	77
NatWest Markets Legacy Business Disposal (loss)/gain in income	(35)	-	(8)	(23)	(4)	(86)	(43)	14	(41)	(16)
Own Credit Adjustments	(80)	(22)	(12)	(3)	(43)	92	33	20	18	21
Notable Items in Total Income - Total	2,152	1,221	(53)	1,015	(31)	488	36	359	128	(35)
Push payment fraud costs	(38)	(13)	(7)	(18)	-	-	-	-	-	-
Bank Levy	(134)	(165)	31	-	-	(179)	(179)	-	-	-
Strategic Costs	(1,381)	(537)	(215)	(434)	(195)	(1,004)	(355)	(299)	(141)	(209)
Litigation & Conduct	(895)	(85)	(750)	(55)	(5)	(1,282)	(92)	(389)	(782)	(19)
o/w US RMBS	169	-	162	7	-	(823)	-	(21)	(803)	1
o/w PPI	(900)	-	(900)	-	-	(200)	-	(200)	-	-
o/w Ulster Bank Rol	(22)	(1)	(1)	(19)	(1)	(71)	(17)	(37)	(8)	(9)
Notable Items in Total Expenses – Total	(2,448)	(800)	(941)	(507)	(200)	(2,465)	(626)	(688)	(923)	(228)

#### Q4 2019 – Income walks

Income Ex Total One-offs Other one-offs<sup>1</sup>

#### Income Q4'19 vs. Q4'18, £m



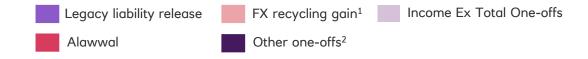
#### Income Q4'19 vs. Q3'19, £m

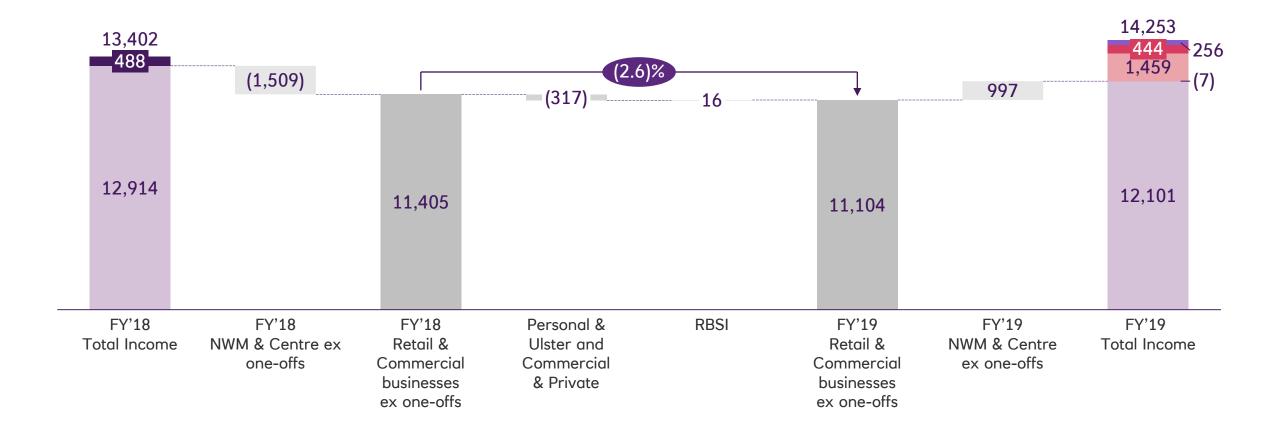


<sup>1</sup> For details of the notable items that make up the 'other one-offs' in this chart see slide 49 of this presentation

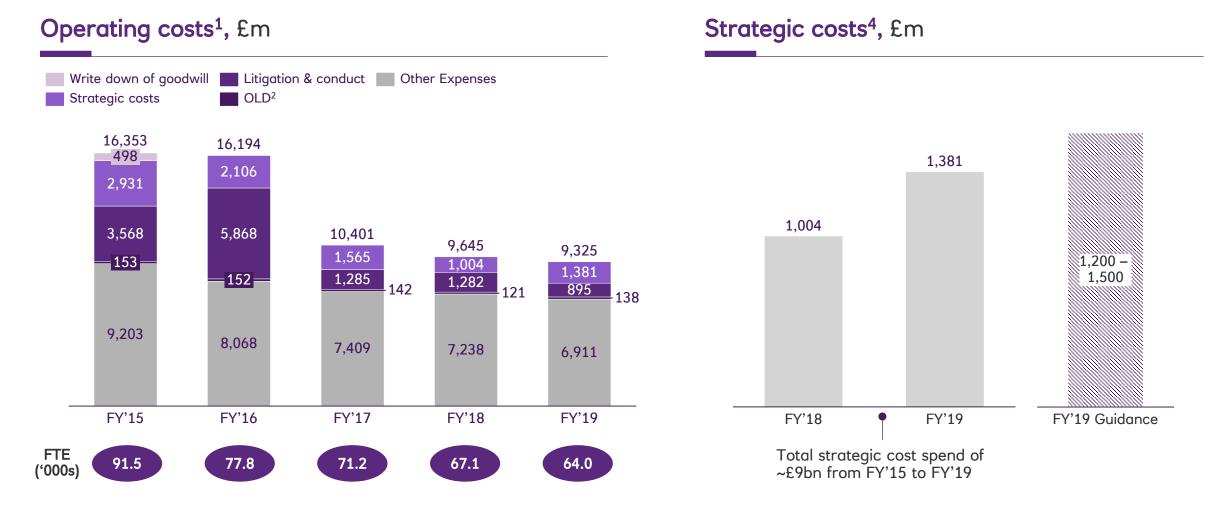
#### FY 2019 – Income walk

#### Income FY'19 vs. FY'18, £m



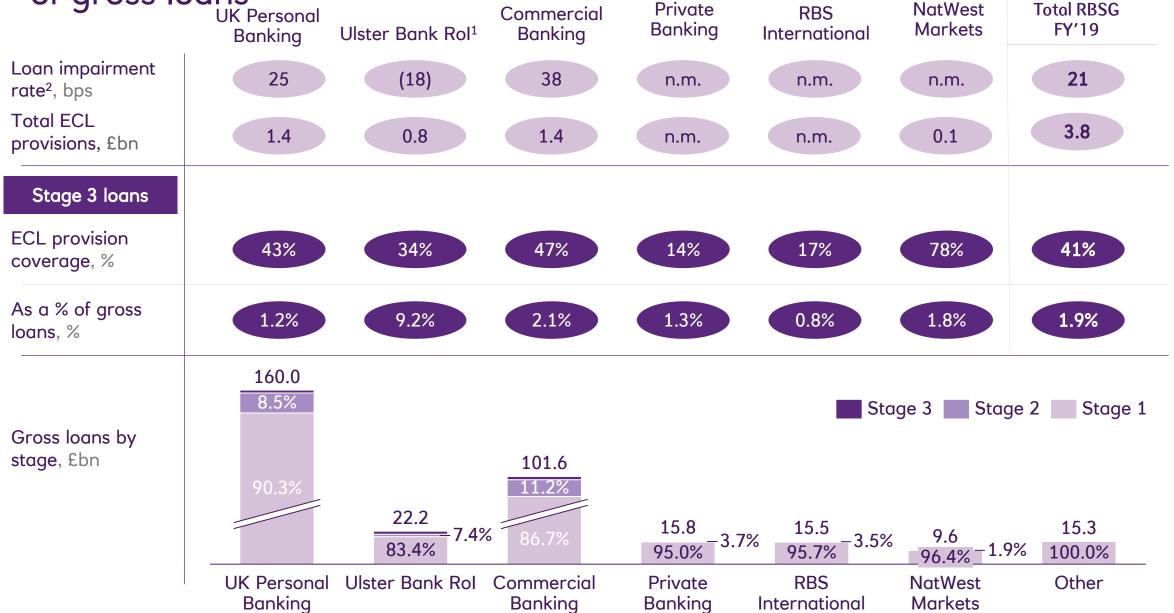


## Cost reduction exceeded 2019 target



£310m cost reduction<sup>3</sup> in FY'19 exceeded the £300m target for the year

# Strong asset quality at FY 2019 with stage 3 loans below 2.0% of gross loans



Ulster Rol metrics calculated using GBP 2 Loan impairment rate is calculated on loans to customers, other financials include loans to customers and banks

# Net interest income and cash flow hedging reserve sensitivity<sup>1</sup>

Structural and product hedge							
	2019						
	Incremental income, £m Average notional, £bn Total yield,						
Equity structural hedging	399	27	2.36				
Product structural hedging	183	111	0.99				
Other structural hedging	61	21	0.79				
Total	643	159	1.20				

<b>NII sensitivity</b> , £m				
2019	Total			
+25bps	212			
-25bps	(170)			
+100bps	908			
-100bps	(756)			

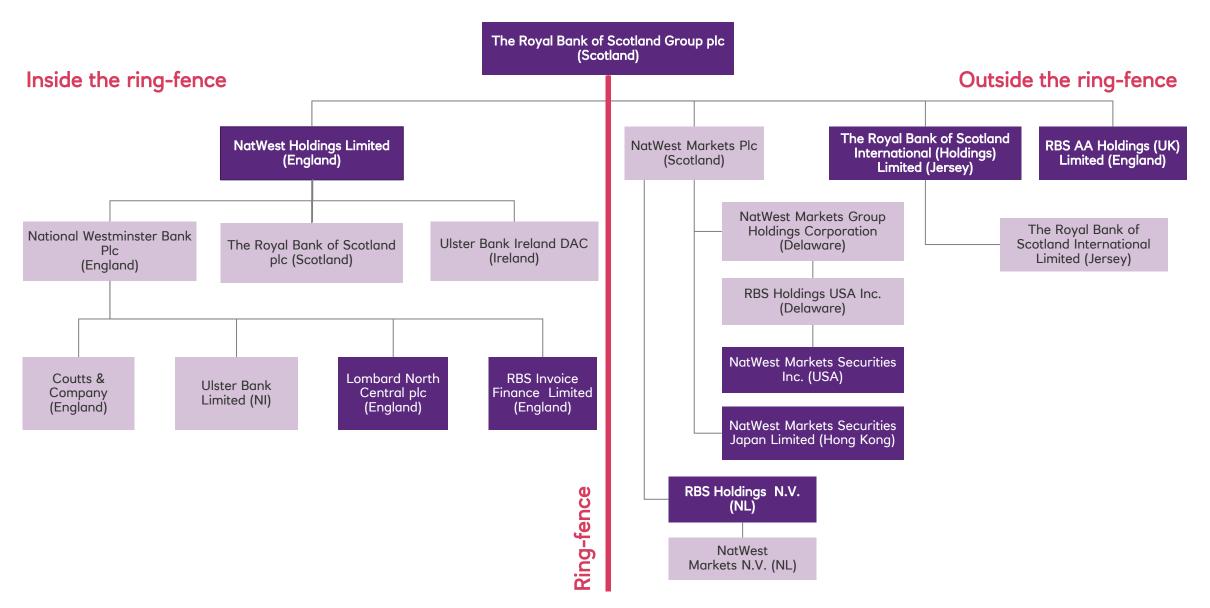
Change in NII -25bps upward parallel shift in yield curves, £m						
2019	Year 1	Year 2 <sup>2</sup>	Year 3 <sup>2</sup>			
Structural hedges	(27)	(90)	(154)			
Managed margin <sup>3</sup>	(158)	(128)	(128)			
Other	15	-	-			
Total	(170)	(217)	(282)			

FVOCI reserve and Cashflow hedge reserve, £m						
2019	FVOCI	Cashflow hedge reserve	Total			
+25bps	(56)	(153)	(209)			
-25bps	55	156	210			
+100bps	(227)	(597)	(824)			
-100bps	210	638	848			

<sup>1</sup> More information available on pages 175 – 177 of 2019 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.

### Abridged Structure – January 2020

"Non-Bank" Key Entity "Bank" Key Entity



## 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 "Summary Risk Factors" on pages 281 and 295 of the RBSG 2019 Annual Report and Accounts, as well as the Risk Factors" section on pages 143 to 156 of the NatWest Markets Plc 2019 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 RBS Group's 2019 Annual Report and Accounts and the NatWest Markets Plc 2019 Annual Report and Accounts and other risk factors and uncertainties discussed therein. These include the significant risks for the RBS Group presented by: strategic risk (including in respect of: the implementation and execution of the RBS Group's Purpose-led Strategy, including as it relates to the re-alignment of the NWM franchise and the RBS Group's climate ambition and the risk that the RBS Group may not achieve its targets); operational and IT resilience risk (including in respect of: the RBS Group being subject to cyberattacks; operational risks inherent in the RBS Group's business; exposure to third party risks including as a result of outsourcing and its use of new technologies and innovation, as well as related regulatory and market changes; the RBS Group's operations being highly dependent on its IT systems; the RBS Group relying on attracting, retaining and developing senior management and skilled personnel and maintaining good employee relations; the RBS Group's risk management framework; and reputational risk), economic and political risk (including in respect of: prevailing uncertainty regarding the terms of 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 RBS Group; changes in interest rates and changes in foreign currency exchange rates), financial resilience risk (including in respect of: the RBS Group's ability to meet targets and make discretionary capital distributions; the highly competitive markets in which the RBS Group operates; deterioration in borrower and counterparty credit quality; the ability of the RBS Group to meet prudential regulatory requirements for capital and MREL, or to manage its capital effectively; the ability of the RBS 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 RBS 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 RBS Group's financial statements to underlying accounting policies, judgments, assumptions and estimates; changes in applicable accounting policies; the value or effectiveness of any credit protection purchased by the RBS 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 RBS Group's businesses being subject to substantial regulation and oversight; the RBS Group complying with regulatory requirements; legal, regulatory and governmental actions and investigations (including the final number of PPI claim and their amounts); the replacement of LIBOR, EURIBOR and other IBOR rates to alternative risk free 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 leaislation).

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.