

# Investor Factbook



24<sup>th</sup> October 2019

## Key messages

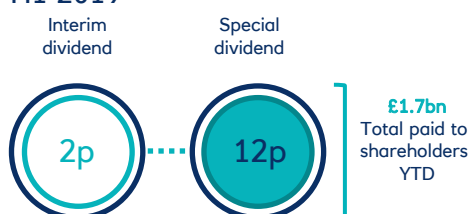
- Q3'19 operating loss before tax of £8m, including £900m provision for PPI. 9M'19 operating profit before tax of £2.7bn
- Q3'19 7.0% RoTE excluding PPI charge
- Net loans to customers increased by 3.2% on an annualised YTD basis <sup>(1)</sup>, gross new mortgage lending was £8.6bn in Q3'19
- On track to meet £300m cost reduction target<sup>(2)</sup> for 2019, £193m cost reduction achieved in 9M'19
- CET1 ratio of 15.7%, generated ~90bps of capital from profits (ex. Alawwal and PPI) for 9M'19
- Targeting c.14% by end of 2021<sup>(2)</sup>

## Capital Return

### FY 2018



### H1 2019



We continue to maintain the capacity to do a directed buy-back from the Government

## We are focused on:



Net loan growth



Continuing cost reduction



Capital generation and return



Customer advocacy

## Q3 2019 results by business<sup>(3)</sup>

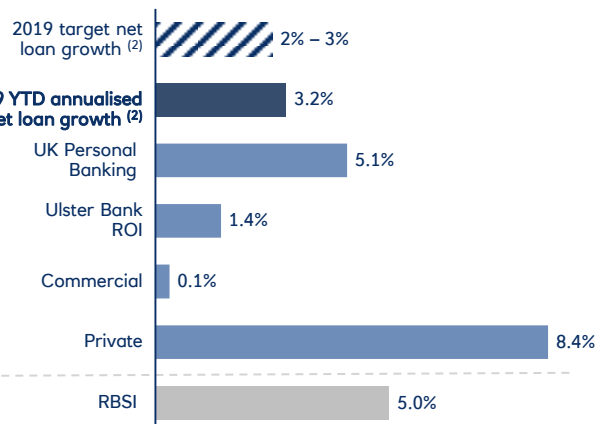
(£bn)	UK PB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other <sup>(4)</sup>	Total RBS
<b>Income</b>	<b>1.2</b>	<b>0.1</b>	<b>1.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.0)</b>	<b>2.9</b>
Operating expenses	(1.6)	(0.1)	(0.6)	(0.1)	(0.1)	(0.3)	0.2	(2.7)
Impairment (losses) / releases	(0.1)	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.2)
<b>Operating profit</b>	<b>(0.5)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.2)</b>	<b>0.2</b>	<b>(0.0)</b>
Funded Assets	176.7	26.0	166.6	22.6	31.2	142.7	34.9	600.7
Net L&A to Customers	154.6	19.0	101.5	15.2	13.8	9.1	6.3	319.5
Customer Deposits	147.9	18.8	135.7	28.2	29.1	3.3	6.7	369.7
RWAs	37.5	13.3	77.0	10.0	6.5	43.8	1.4	189.5
LDR (%)	105	101	75	54	47	n.m.	n.m.	86
<b>ROE (%)<sup>(5)</sup></b>	<b>(26.8)</b>	<b>5.8</b>	<b>8.4</b>	<b>16.8</b>	<b>26.0</b>	<b>(8.7)</b>	<b>n.m.</b>	<b>(3.8)</b>
<b>ROE ex. PPI (%)<sup>(5)</sup></b>	<b>18.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n.m.</b>	<b>7.0</b>
Cost : Income ratio (%) <sup>(6)</sup>	130.8	90.3	57.9	60.1	41.3	232.0	n.m.	92.9

<sup>(1)</sup> Q3'19 vs. FY'18 net loan growth in Personal, Ulster, Commercial and Private. <sup>(2)</sup> The targets, expectations and trends discussed in this section represents management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 253 to 263 of the 2018 Annual Report and Accounts and pages 46 to 47 of the Interim Results 2019. These statements constitute forward-looking statements. <sup>(3)</sup> Numbers may not add due to rounding. <sup>(4)</sup> Central items include unallocated transactions, including volatile items under IFRS and the reimbursement under indemnification agreements relating to residential mortgage-backed securities. <sup>(5)</sup> RBS's 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 2019), 12% (Commercial Banking), 13% (Private Banking - 13.5% prior to Q1 2019, 14% from Q1 2017 to Q4 2017), 16% (RBS International - 12% prior to Q4 2017) and 15% for all other segments, of the monthly average of segmental risk-weighted assets equivalents (RWAs) incorporating the effect of capital deductions. RBS return on equity is calculated using profit for the period attributable to ordinary shareholders. <sup>(6)</sup> Operating lease depreciation included in income (Q3 2019 - £35 million; Q3'19 YTD - £103 million).

# Q3 2019 update on progress

## Net Loan Growth

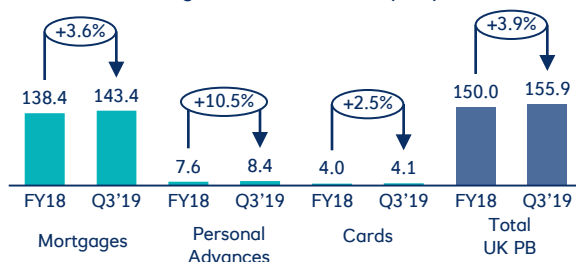
### Q3'19 YTD Annualised Net Loan Growth<sup>(1)</sup>



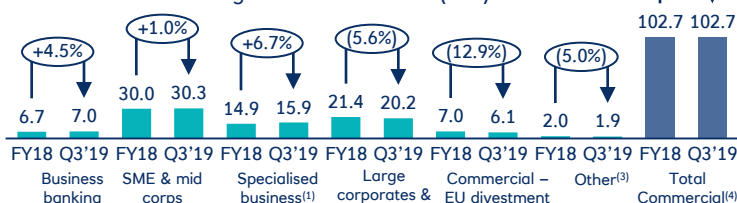
<sup>(1)</sup> Q3'19 vs. FY18 net loan growth presented on an annualised basis <sup>(2)</sup> Target net loan growth is 2-3% in Personal, Ulster, Commercial & Private

- Mortgages statistics
- Stock share ~10% (Q3'19)
  - Flow share ~12% (Q3'19)

### UK Personal Banking Gross L&A Growth (£bn)



### Commercial Banking Gross L&A Growth (£bn)



**+3.1%**

<sup>(1)</sup> Adjusted for transfer of transaction services in FY18 of £3.1bn from specialised businesses to large corporates and institutions <sup>(2)</sup> Includes £2.5bn of Western Europe loans in Q3 2019 and £3.1bn in Q4 2018 <sup>(3)</sup> Other includes shipping and project finance <sup>(4)</sup> Total Commercial also includes Real estate

## Cost Reduction

- £4.3bn reduction in other expenses since 2014
- £193m other expenses reduction in 9M'19
- Targeting £300m reduction in 2019
- Targeting £1.2-1.5bn strategic costs in 2019 <sup>(1)</sup>

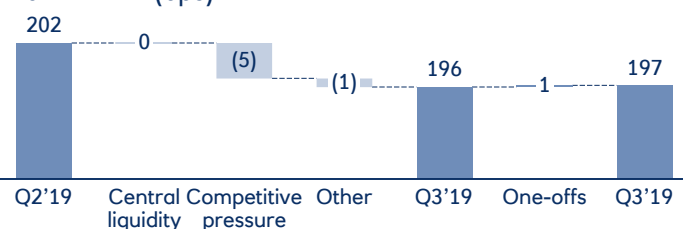
<sup>(1)</sup> We expect to be towards the lower end of £1.2 to £1.5bn range by the end of 2019.

## Impairments

- Impairments remain below our view of a normalised long term loss rate of 30-40 bps at 26bps of gross customer loans in Q3'19

## Net Interest Margin

### Bank NIM<sup>(1)</sup> (bps)

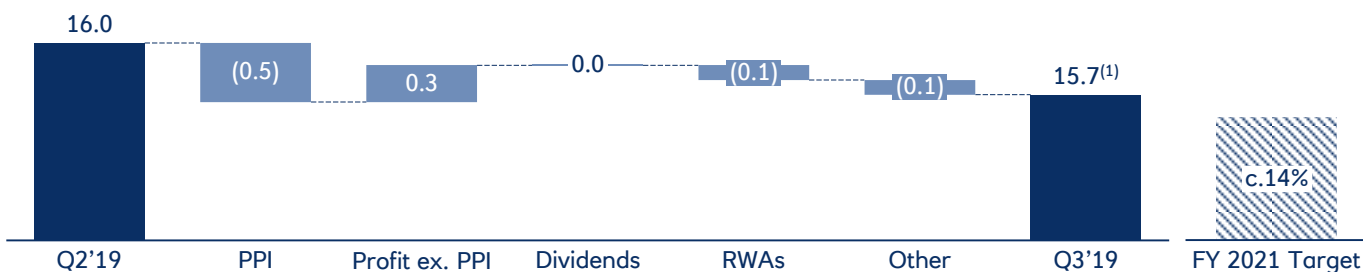


- Future considerations include rate sensitivity, reduction in liquidity, asset/liability pressures & economic uncertainty

<sup>(1)</sup> "Bank NIM" is NIM excluding NatWest Markets

## Capital Generation

### Strong capital build – CET1 (%)



- Targeting CET1 of c.14% by the end of 2021
- 2p ordinary dividend and 12p special dividend in H1'19

- Generated ~90bps of capital (ex. Alawwal and PPI) for 9M'19
- RWAs £189.5bn, FY 2019 target of £185 – 190bn

<sup>(1)</sup> Numbers may not cost due to rounding

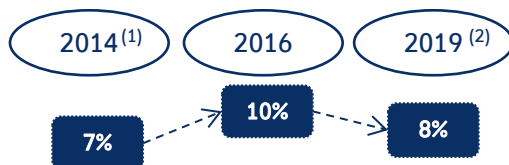
Note: The targets, expectations and trends discussed in this section represents management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 253 to 263 of the 2018 Annual Report and Accounts and pages 46 to 47 of the Interim Results 2019. These statements constitute forward-looking statements.

# Technology and Innovation

We continue to invest over £1bn a year in technology and innovation while substantially reducing expenses

Change Spend as a % of Other expenses

Mandatory & non-ring fenced bank investment



Discretionary, innovation & elements of strategic cost

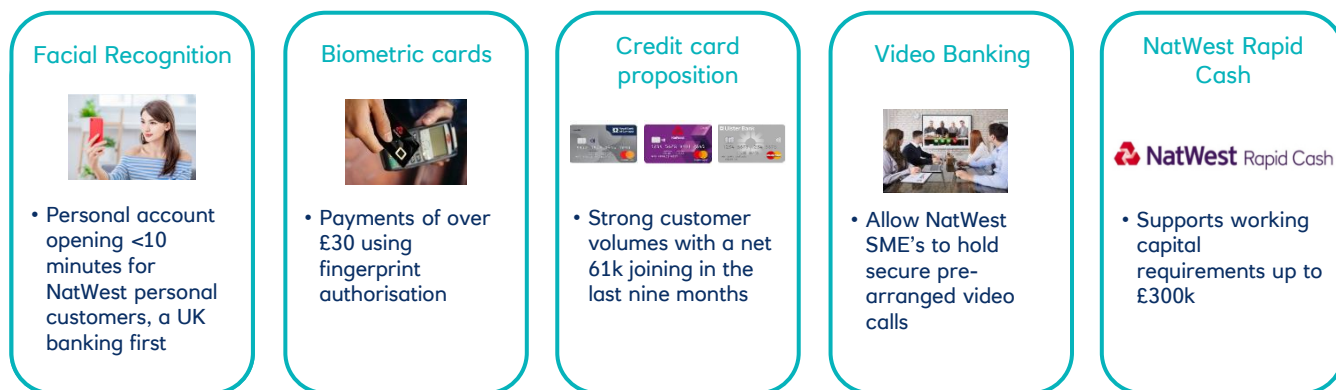


<sup>(1)</sup> 2014 expenses are ex Citizens Bank <sup>(2)</sup> 2019 other expenses guidance – 2018 other expenses minus £300m committed cost savings

## Delivering innovative solutions for our customers



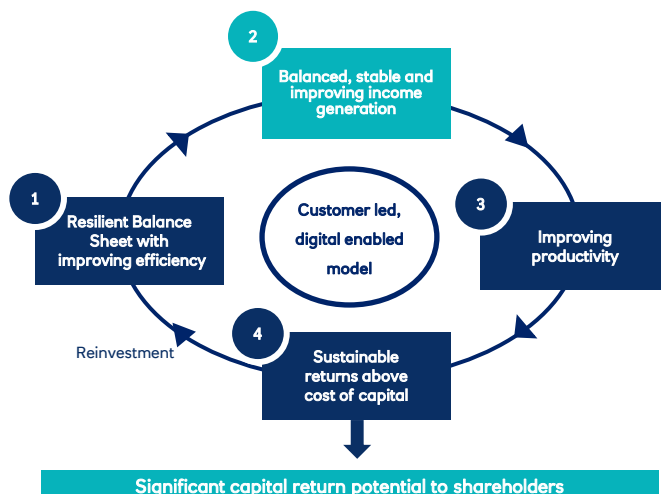
## Customer journeys digitally enhanced and made to feel effortless



## Investment case:

### The bank we are becoming

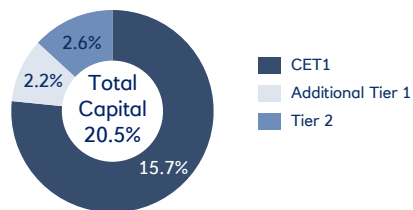
- A leading UK Retail and Commercial Bank with strong non-ring-fenced banks in NatWest Markets and RBS International
- Strong brands and market positions
- Growing in attractive chosen markets
- Track record of cost and risk reduction
- Improving returns and capital generation
- Resilient balance sheet
- Significant distribution potential



# Balance Sheet Strength

## Key Q3 2019 capital, funding and liquidity metrics

Capital stack (% RWA)



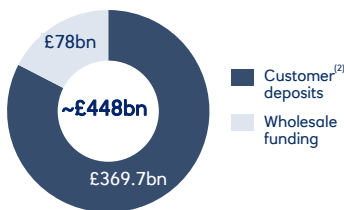
Risk Weighted Assets

£189.5bn

CRR Leverage Ratio

5.0%

Total funding mix (£bn)<sup>(1)</sup>



Loan to Deposit Ratio

86%

Short-term Wholesale Funding

£19bn

Liquidity portfolio (£bn)<sup>(3)</sup>



Liquidity Coverage Ratio

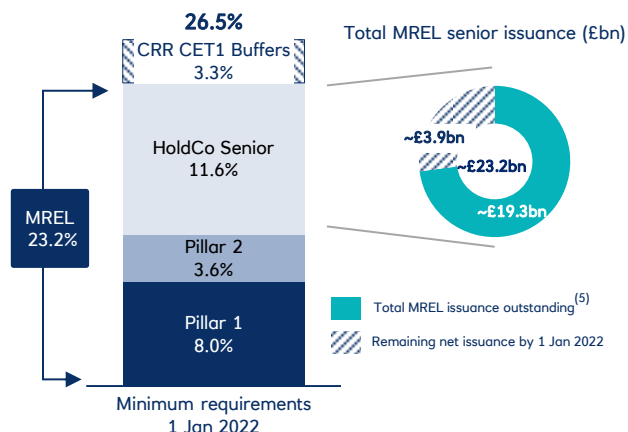
148%

Net Stable Funding Ratio

140%

## On track to meet future MREL requirements

2022 minimum requirements as a % of RWA vs. Total MREL<sup>(4)</sup> senior unsecured outstanding (Based on illustrative RWA of ~£200bn)



## Good progress against 2019 issuance plans

RBSG plc Senior MREL

Q3 '19 YTD Issuance

~£3bn

FY 2019 Guidance

£3-5bn

NWB Plc Covered Bond

£750m

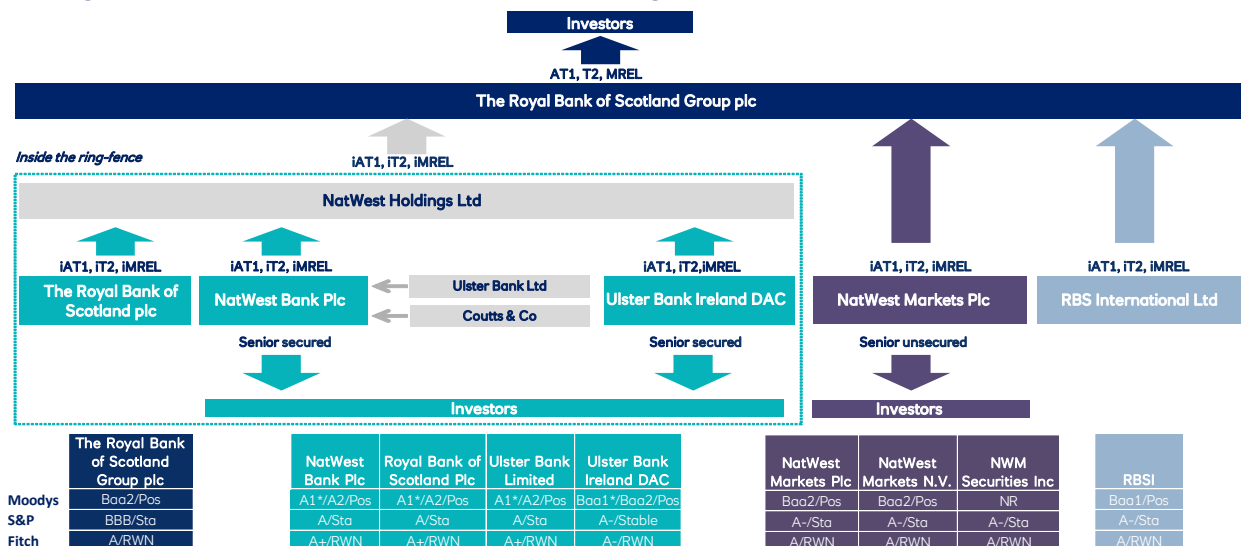
£2-3bn (Total NWH secured for CB/RMBS)

NWM Plc Senior Unsecured

~£4.5bn

£3-5bn

## Issuing entity structure<sup>(6)</sup> and credit ratings



Note: Figures may not cast due to rounding (1) Funding excluding repos, derivative cash collateral. (2) Customer deposits includes amounts from NBFIs and excludes customer repos. (3) Includes cash and other highly liquid securities and assets eligible for discounting at the Bank of England and other central banks (4) "MREL" = Minimum requirement for eligible liabilities. (5) Represents the LAC value of RBS Group plc senior unsecured issuance as at Q3 2019 (6) Future external issuance of AT1, Tier 2 and MREL will be from RBS Group plc, subsidiaries will only issue AT1, Tier 2 and MREL internally. NatWest Bank Plc and Ulster Bank Ireland DAC will issue senior secured externally and NatWest Markets Plc will issue senior unsecured externally.

\*Reflects the Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd; All other ratings reflect the long-term issuer/senior unsecured ratings