

Q3 2019 Results

24th October 2019

Q3 2019 update on progress⁽¹⁾



Net loan growth

- 3.2% YTD annualised net loan growth across Personal & Ulster and Commercial & Private
- Targeting 2-3% net loan growth in 2019



Continuing cost reduction

- Reduced other expenses by £193m YTD
- Targeting cost reduction of £300m in 2019



Capital generation

- CET1 ratio at 15.7%, reflecting the PPI charge and increased NWM⁽²⁾ RWAs
- Generated ~90bps of capital from profits (ex. Alawwal and PPI) for 9M'19
- RWAs increased by £1.0bn



Capital returns

- Targeting CET1 of c.14% by the end of 2021



Q3'19 ROTE ex. PPI 7.0%

⁽¹⁾ 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. Refer to Forward-looking statements in the appendix of this document. ⁽²⁾ "NWM" throughout this presentation refers to NatWest Markets operating segment and should not be assumed the same as the NatWest Markets Plc legal entity or group.

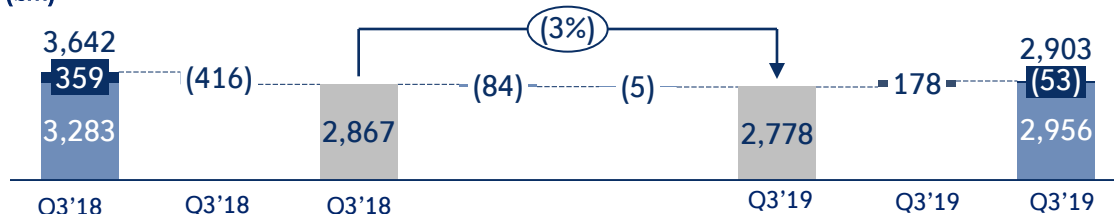
Q3 2019 summary financials



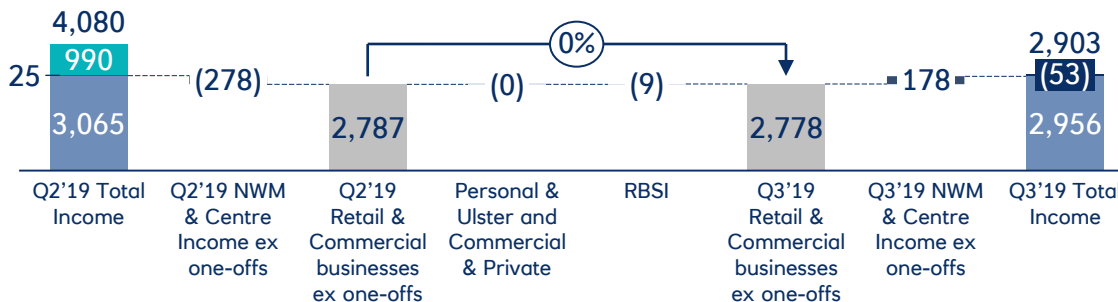
£m	Q3'19	Q3'19 vs. Q3'18	Q3'19 vs. Q2'19
Net interest income	2,006	(7%)	2%
Non interest income	897	(40%)	(57%)
Total income	2,903	(20%)	(29%)
Operating expenses	(2,698)	11%	25%
o/w Other expenses	(1,733)	(1%)	4%
o/w Strategic costs	(215)	(28%)	(50%)
o/w Litigation & conduct costs	(750)	93%	n.m
Impairment losses	(213)	(11%)	(10%)
Operating profit/ (loss)	(8)	(101%)	(100%)
Tax	(201)	(47%)	n.m
Prefs/ MI/ Disc ops	(106)	(20%)	(72%)
Attributable profit / (loss)	(315)	(170%)	(124%)
Cost:income ratio	92.9%	26pp	40pp
Bank NIM⁽¹⁾	1.97%	(7bps)	(5bps)

Income Ex Total One-offs Other one-offs⁽²⁾ Alawwal

Income Q3'18 vs. Q3'19
(£m)

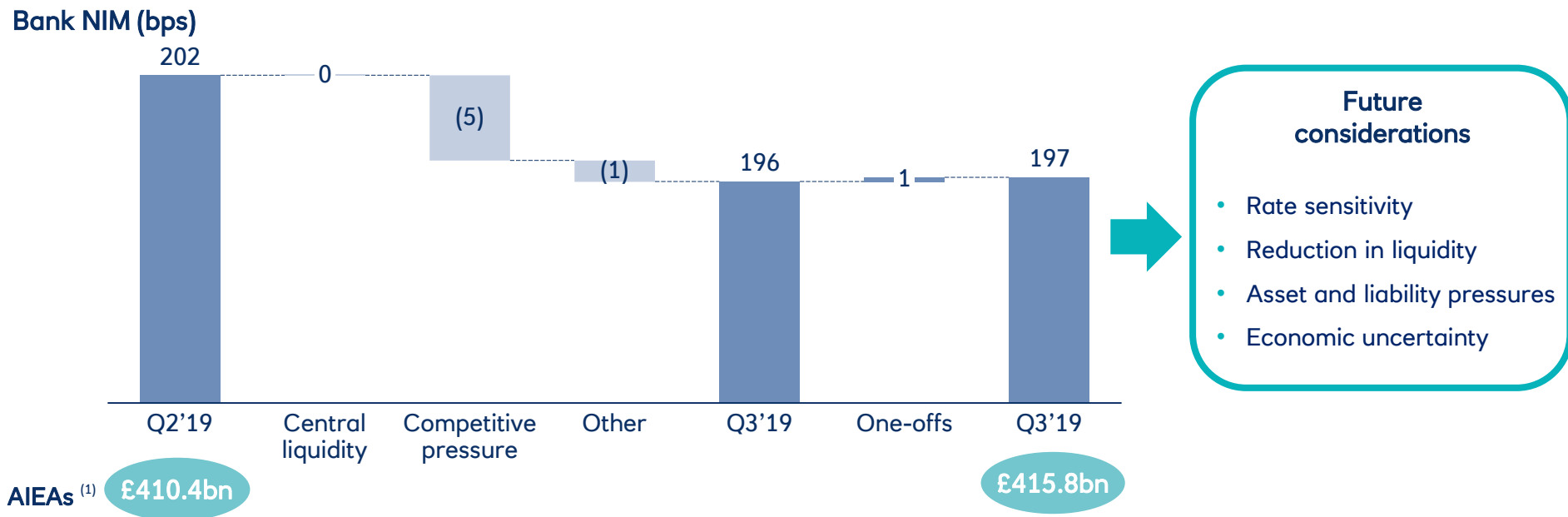


Income Q2'19 vs. Q3'19
(£m)



⁽¹⁾ "Bank NIM" is NIM excluding NatWest Markets ⁽²⁾ For details of the notable items that make up the 'other one-offs' in this chart see slide 8 of this presentation.

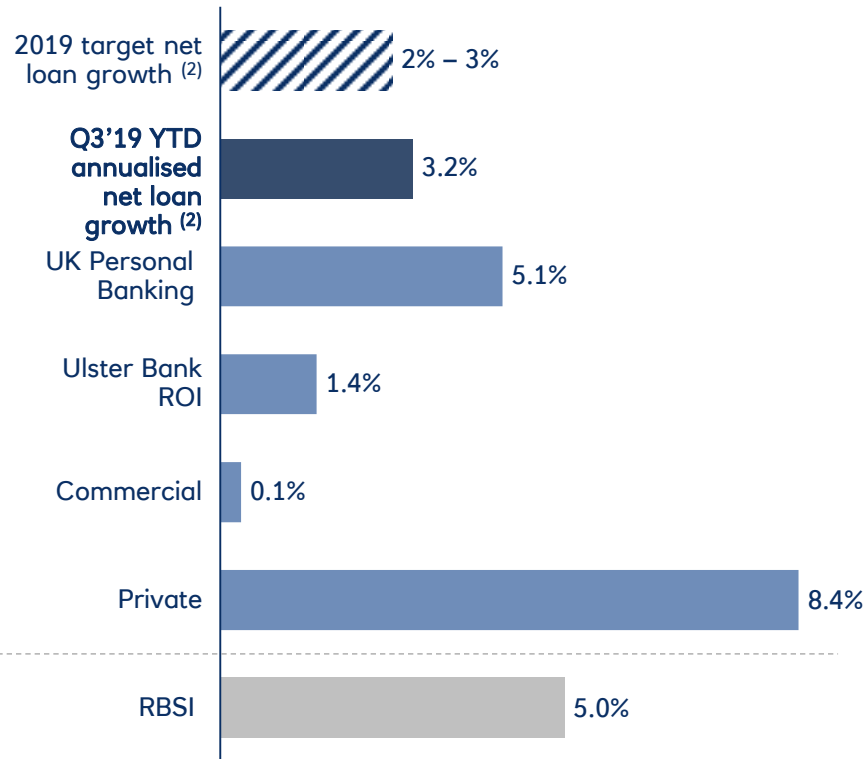
Bank Net Interest Margin Q3 2019 vs. Q2 2019



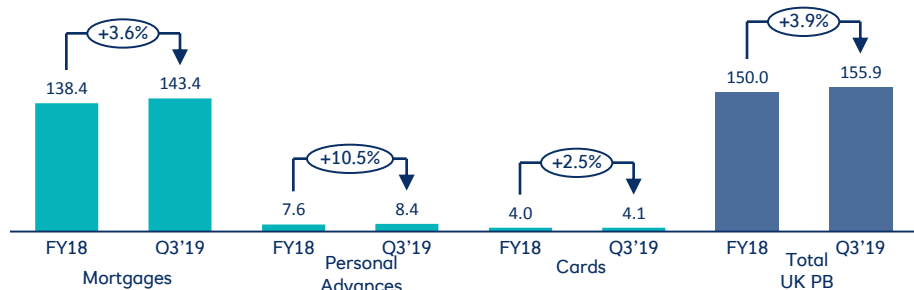
⁽¹⁾ AIEAs refers to Average interest-earning assets as per the Financial Supplement and excludes NWM.

Net loan growth

Q3'19 YTD annualised net loan growth⁽¹⁾



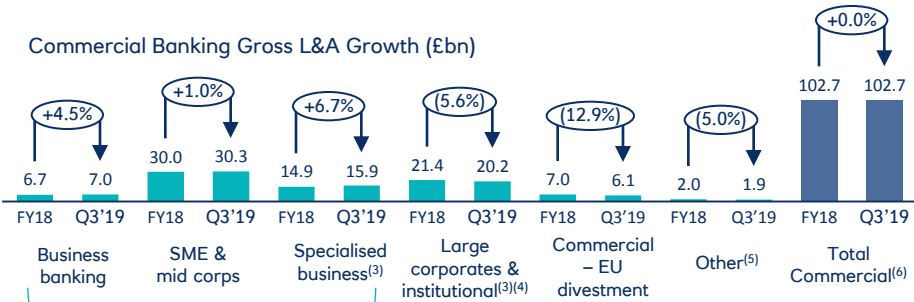
UK Personal Banking Gross L&A Growth (£bn)



Q3'19 Gross new current accounts 190k

Q3'19 Gross new card customers 82k

Commercial Banking Gross L&A Growth (£bn)

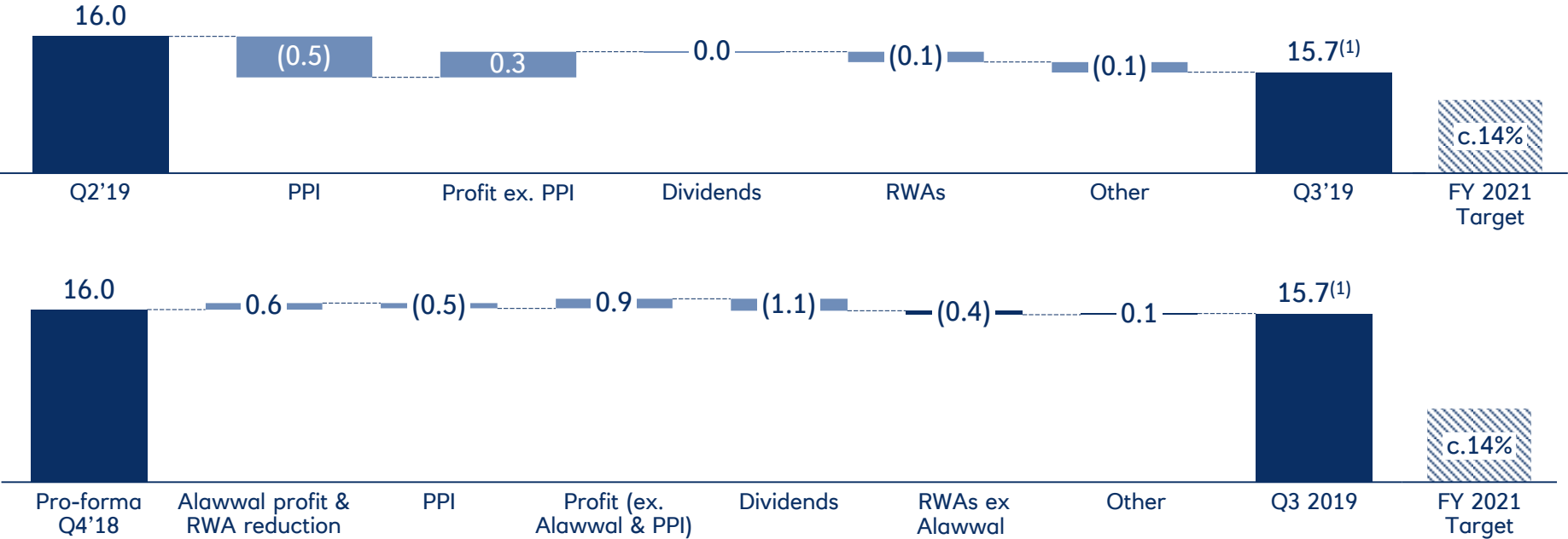


+3.1%

⁽¹⁾ Q3'19 vs. FY18 net loan growth presented on an annualised basis ⁽²⁾ Target net loan growth is 2-3% across Personal, Ulster, Commercial & Private ⁽³⁾ Adjusted for transfer of transaction services in FY'18 of £3.1bn from Specialised Business to Large corporates and institutions ⁽⁴⁾ Includes £2.5bn of Western Europe loans in Q3 2019 and £3.1bn in Q4 2018 ⁽⁵⁾ Other includes shipping and project finance ⁽⁶⁾ Total Commercial also includes Real estate.

Capital generation

CET1 (%)

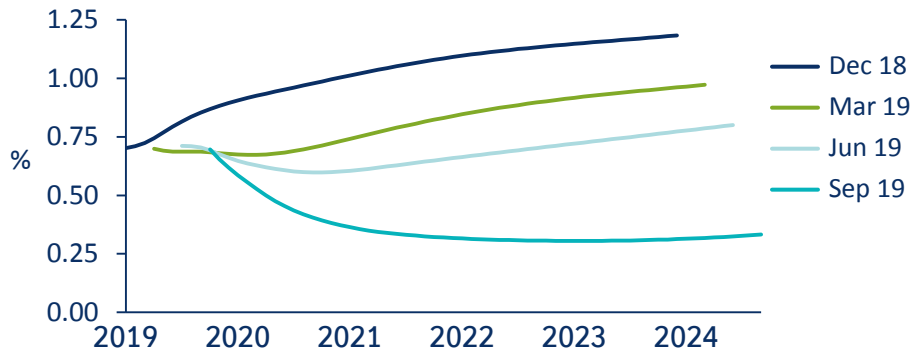


- Generated ~90bps of capital from profits in the 9 months to date, excluding PPI and Alawwal profits.

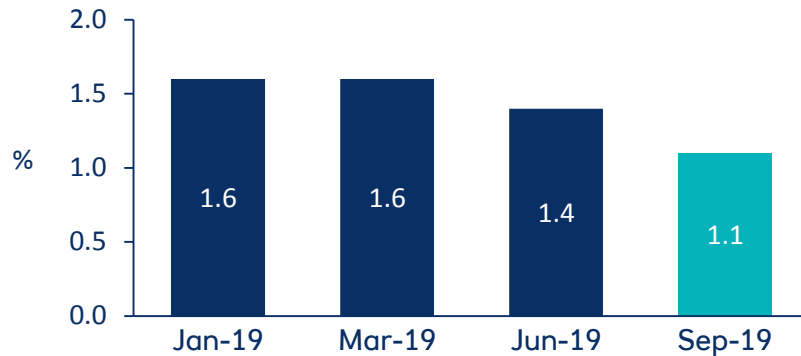
⁽¹⁾ Numbers may not cast due to rounding.

Economic outlook has become more challenging

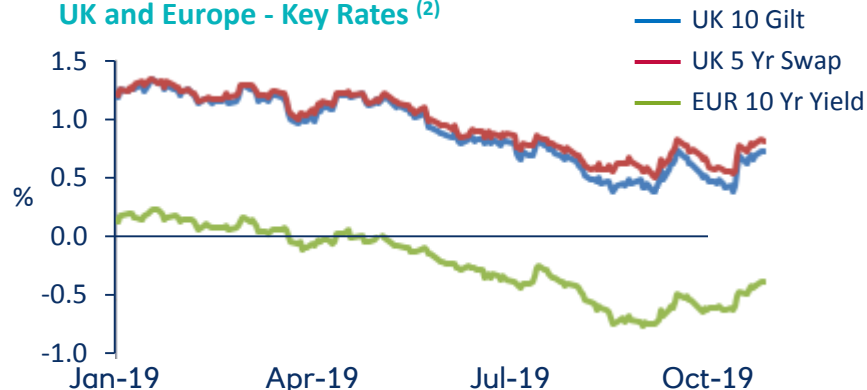
Overnight Index Swaps Rates ⁽¹⁾



2020 Consensus GDP Growth Estimates ⁽²⁾



UK and Europe - Key Rates ⁽²⁾



GBP/USD 3mth Volatility ⁽²⁾



⁽¹⁾ <https://www.bankofengland.co.uk/statistics/yield-curves>

⁽²⁾ Source: Bloomberg

Notable items

(£m)	Q3 2019	Q2 2019	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Alawwal Bank merger gain on disposal	-	444	-	-	-	-	-	-
FX recycling gain	-	290	-	-	-	-	-	-
Provisions release	-	256	-	-	-	-	-	-
Other Strategic Disposals	-	45	-	-	-	-	-	-
IFRS volatility in Central items	(51)	21	(4)	(59)	(25)	77	17	(128)
Insurance Indemnity	-	-	-	357	85	272	-	-
UK PB Debt Sale	16	-	2	61	35	-	-	26
FX (loss)/gain in Central items	2	-	20	(46)	(39)	(11)	19	(15)
Commercial Fair Value and Disposal (loss)/gain in income	-	(15)	(2)	169	(10)	(13)	115	77
NatWest Markets Legacy Business Disposal (loss)/gain in income	(8)	(23)	(4)	(86)	(43)	14	(41)	(16)
Own Credit Adjustments	(12)	(3)	(43)	92	33	20	18	21
Notable Items in Total Income - Total	(53)	1,015	(31)	488	36	359	128	(35)
Push payment fraud costs	(7)	(18)	-	-	-	-	-	-
Bank Levy	-	-	-	(179)	(179)	-	-	-
Strategic Costs	(215)	(434)	(195)	(1,004)	(355)	(299)	(141)	(209)
Litigation & Conduct	(750)	(55)	(5)	(1,282)	(92)	(389)	(782)	(19)
o/w US RMBS	162	7	-	(823)	-	(21)	(803)	1
o/w PPI	(900)	-	-	(200)	-	(200)	-	-
o/w Ulster Bank Rol	(1)	(19)	(1)	(71)	(17)	(37)	(8)	(9)
Notable Items in Total Expenses – Total	(972)	(507)	(200)	(2,465)	(626)	(688)	(923)	(228)

Q3 2019 results by business⁽¹⁾

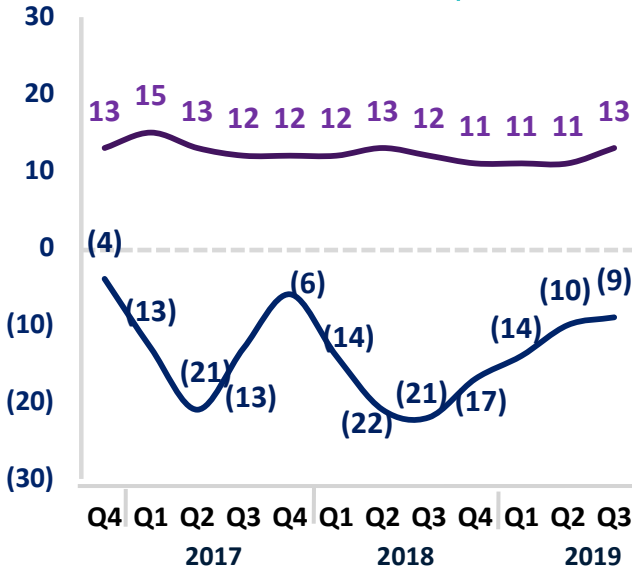
(£bn)	UK PB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽²⁾	Total RBS
Income	1.2	0.1	1.1	0.2	0.2	0.2	(0.0)	2.9
Operating expenses	(1.6)	(0.1)	(0.6)	(0.1)	(0.1)	(0.3)	0.2	(2.7)
Impairment (losses) / releases	(0.1)	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.2)
Operating profit	(0.5)	0.0	0.3	0.1	0.1	(0.2)	0.2	(0.0)
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
ROE (%)⁽³⁾	(26.8)	5.8	8.4	16.8	26.0	(8.7)	n.m.	(3.8)
ROE ex. PPI (%)⁽³⁾	18.4	-	-	-	-	-	n.m.	7.0
Cost : Income ratio (%)⁽⁴⁾	130.8	90.3	57.9	60.1	41.3	232.0	n.m.	92.9

⁽¹⁾ Numbers may not cast due to rounding ⁽²⁾ Central items include unallocated transactions, including volatile items under IFRS and the reimbursement under indemnification agreements relating to residential mortgage-backed securities ⁽³⁾ 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. ⁽⁴⁾ Operating lease depreciation included in income (Q3 2019 - £35 million; Q3'19 YTD - £103 million).

Net Promoter Scores across our brands

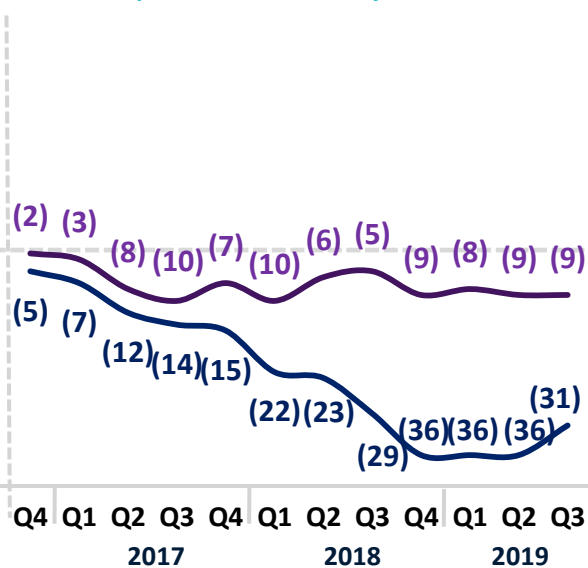
Personal Banking⁽¹⁾

NatWest is stable while Royal Bank of Scotland continues to improve.



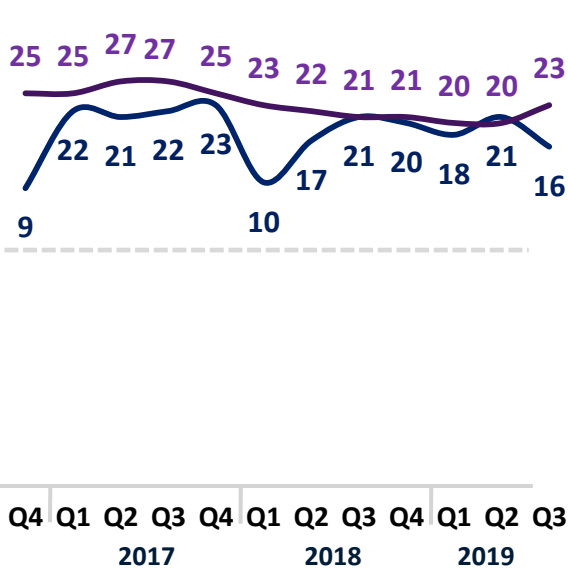
Business Banking⁽²⁾

NatWest stable.
Improvement for Royal Bank.



Commercial Banking⁽³⁾

NatWest No 1 in the market.



— Royal Bank of Scotland

— NatWest

⁽¹⁾ NatWest and Royal Bank of Scotland data sourced from Ipsos MORI Financial Research Survey (FRS) using 6 month rolling data. Latest base sizes: 3,052 for NatWest (England & Wales); 488 for Royal Bank of Scotland (Scotland). 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: MarketVue Business Banking from Savanta, YE Q3 2019. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: 1111 for NatWest (England & Wales), 443 for Royal Bank of Scotland (Scotland). 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: MarketVue Business Banking from Savanta, YE Q3 2019. Based on interviews with businesses with an annual turnover over £2 million. Latest base sizes: 10558 for NatWest (England & Wales), 96 for Royal Bank of Scotland (Scotland). 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.

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 46 and 47 of the RBSG H1 2019 IMS and the "Risk Factors" section on pages 253 to 263 of the RBSG 2018 Annual Report and Accounts, as well as the "Summary Risk Factors" on pages 34 and 35 of the NWM H1 2019 IMS and the "Risk Factors" section on pages 124 to 133 of the NatWest Markets Plc 2018 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 (RWAs), 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 Group's 2018 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 the Group presented by: operational and IT resilience risk (including in respect of: the Group being subject to cyberattacks; operational risks inherent in the 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 Group's operations being highly dependent on its IT systems; the Group relying on attracting, retaining and developing senior management and skilled personnel and maintaining good employee relations; the Group's risk management framework; and reputational risk), economic and political risk (including in respect of: prevailing uncertainty on the terms of the UK's withdrawal from the European Union; the Group's plans for continuity of business impacted by the UK's expected departure from the EU; 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 Group; continued low interest rates and changes in foreign currency exchange rates), financial resilience risk (including in respect of: the Group's ability to meet targets and make discretionary capital distributions to shareholders; the highly competitive markets in which the Group operates; deterioration in borrower and counterparty credit quality; the ability of the Group to meet prudential regulatory requirements for capital and MREL, or to manage its capital effectively; the ability of the 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 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 Group's financial statements to underlying accounting policies, judgements, assumptions and estimates; changes in applicable accounting policies or rules; the value or effectiveness of any credit protection purchased by the 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 Group's businesses being subject to substantial regulation and oversight; the Group complying with regulatory requirements in respect of its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution; legal, regulatory and governmental actions and investigations (including the final number of PPI claim and their amounts); the replacement of LIBOR, EURIBOR and other benchmark 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 legislation).

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.

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