

## Our purpose

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

## Our pillars



Enterprise



Learning



Climate

## Key messages



**Our purpose in action;**  
Responding to the Covid-19 crisis



**Balanced and consistent approach to risk;**  
Careful deployment of the balance sheet



**Starting from a position of strength;**  
Strong capital and liquidity levels



**Maintaining focus on our priorities**  
A purpose-led strategy that is built to endure

## Responding to the challenges posed by Covid-19<sup>1</sup>

### Operationally resilient

**20% increase** in new mobile and **30% increase** in new online banking customers over 5 week period



**Over 60,000** colleagues have been working from home, including majority of our contact centre colleagues



### Supporting people & families

**>190k** mortgage holidays approved & **c.15.7k** short-term interest free overdrafts approved



**Dedicated phone lines** for NHS, elderly & vulnerable customers, with calls answered in average of **6 seconds**



### Supporting businesses

**£1.4 billion** of Covid Business Interruption Lending Schemes (CBILS) approved lending with **£29 million** of CLBILS requested



**c.£3.1 billion** of Covid Corporate Financing Facility issuance. **6 month** capital repayment holidays offered



## Q1 2020 results by business

£bn	UK Personal Banking	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other <sup>2</sup>	Total RBS
<b>Income</b>	<b>1.2</b>	<b>0.1</b>	<b>1.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.5</b>	<b>(0.0)</b>	<b>3.2</b>
Operating expenses	(0.5)	(0.1)	(0.6)	(0.1)	(0.1)	(0.3)	(0.1)	(1.8)
Impairment (losses)/releases	(0.3)	(0.0)	(0.4)	(0.0)	(0.0)	0.0	(0.0)	(0.8)
<b>Operating profit</b>	<b>0.3</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.5</b>
Funded Assets	186.3	26.3	178.3	23.4	33.2	129.6	31.8	608.9
Net L&A to Customers	163.7	18.7	109.2	15.8	13.6	12.2	18.1	351.3
Customer Deposits	152.8	19.3	143.9	29.0	32.3	5.7	1.8	384.8
RWAs	38.2	12.7	76.9	10.3	6.8	38.9	1.4	185.2
LDR (%)	107%	97%	76%	54%	42%	n.m.	n.m.	91%
<b>RoE<sup>3</sup> (%)</b>	<b>15.5%</b>	<b>(4.2)%</b>	<b>(2.5)%</b>	<b>9.8%</b>	<b>19.4%</b>	<b>8.7%</b>	<b>n.m.</b>	<b>3.6%</b>
Cost : Income Ratio (%) <sup>4</sup>	46.0%	95.3%	59.1%	61.2%	42.4%	63.0%	n.m.	57.7%

Note: summations may differ due to rounding used above.

(1) All statistics quoted are as at 23/04/20, unless otherwise stated. (2) Central items & other include unallocated transactions, including volatile items under IFRS. (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 14.5% (UK Personal Banking - 15% prior to Q1 2020), 15.5% (Ulster Bank Rol - 15% prior to Q1 2020 and 14% prior to Q1 2019), 11.5% (Commercial Banking - 12% prior to Q1 2020), 12.5% (Private Banking - 13% prior to Q1 2020 and 13.5% prior to Q1 2019), 16% (RBS International) 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) Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation. (Q1 2020 - £36 million; year ended 31 December 2019 - £138 million; Q4 2019 - £35 million; Q3 2019 - £35 million; Q2 2019 - £34 million; Q1 2019 - £34 million; year ended 31 December 2018 - £121 million; Q4 2018 - £32 million; Q3 2018 - £32 million; Q2 2018 - £26 million and Q1 2018 - £31 million).

The guidance, targets, expectations and trends discussed in this Factbook 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 "Risk Factors" on pages 29-31 of the RBSG Q1 IMS and pages 281 and 295 of the RBSG 2019 Annual Report and Accounts, as well as the "Risk Factors" pages 13-14 of the NWM Q1 IMS and on pages 143 to 156 of the NatWest Markets Plc 2019 Annual Report and Accounts, respectively. These statements constitute forward looking statements under the US Private Securities Litigation Reform Act of 1995.

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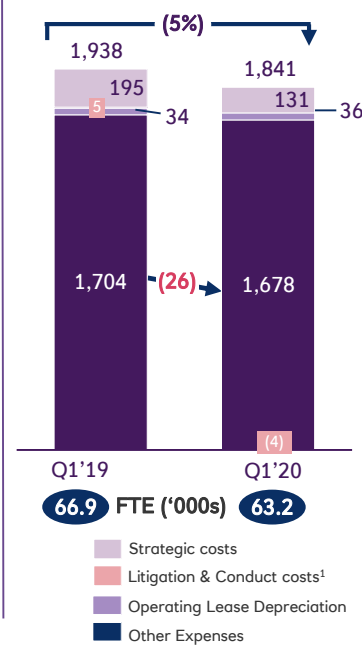
# Q1'20 update on progress

## Key messages

- Operating profit before tax of £519m, down 49% on Q1'19
- 4% increase in net lending across retail and commercial
- RWAs increased by £6bn reflecting lending growth and an increase in NatWest Markets
- Net impairment losses of £802m, 90bps of gross customer loans
- Remain committed to £250m cost reduction target for 2020
- CET1 ratio at 16.6%; 760 bps MDA headroom above 9.0%
- LCR at 152%, £49.5bn headroom above 100% min UK requirement.

## Costs

### Operating costs Q1'20, £m



## Outlook

### Operating costs

- Remain committed to £250m cost reduction target

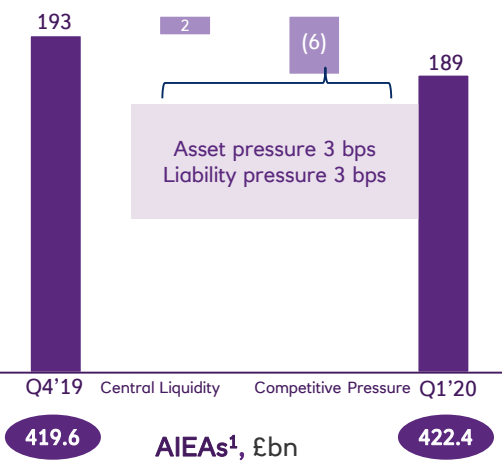
### Key drivers

- Reshaping of our investment expenditure
- Management of other significant lines in cost profile
- No significant reorganisation in next six months excluding NWM

### Strategic costs

- Q1 2020 Strategic costs of £131m.
- Expect 2020 strategic costs at lower end of previous £0.8-1bn guidance

## Bank NIM, bps

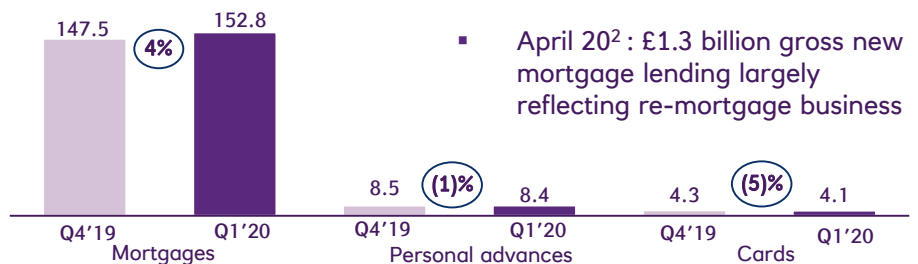


### Future considerations:

- TFSME funding
- Base rate cut
- Lower swap curves
- Lower Margin CBILS

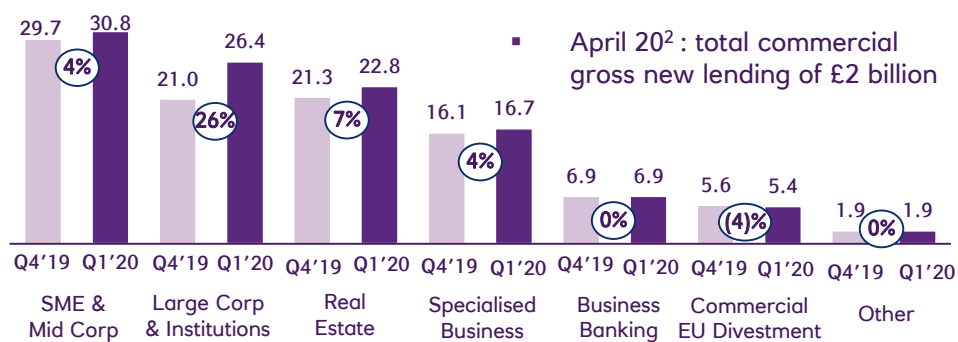
## Loan growth by product and sector

### UK Personal Banking: Gross L&A Growth, £bn



- April 20<sup>2</sup>: £1.3 billion gross new mortgage lending largely reflecting re-mortgage business

### Commercial Banking: Gross L&A Growth, £bn



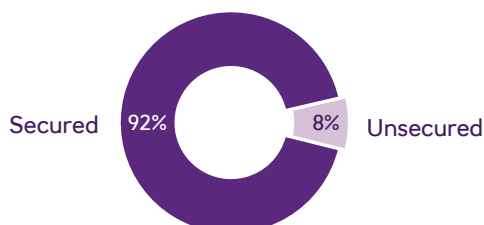
- April 20<sup>2</sup>: total commercial gross new lending of £2 billion

<sup>2</sup> These figures represent the movement in Personal and Commercial loans between 31/03/20 and 23/04/2020

## Well diversified retail and commercial book

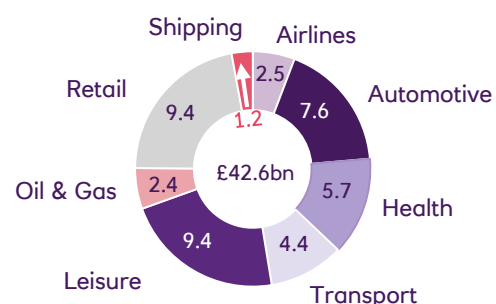
### Spotlight on UK PB loans

- Q1'20 £165bn in UK PB Loans of which:



### Spotlight on Corporate loans 1,2

- Q1'20 £79bn in Corporate Loans of which, £bn:



## Multiple Economic Scenario (MES) overlay charge by business £m

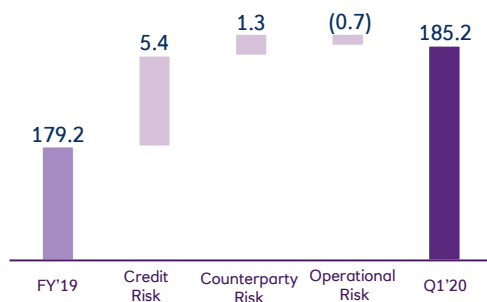
	UK PB	Ulster	CB	Private	RBSI	NWM	Central	Total
Q4'19 Overlay	75	14	75	-	1	4	1	170
Q1'20 Overlay	185	34	366	25	8	6	4	628
Total Overlay	260	48	441	25	9	10	5	798

### Approach to MES overlay:

- Utilised established internal stress testing analysis on which to base a MES overlay to ECL alongside significant RBS judgement
- The stress scenario included a rise in unemployment to 7.6% as well as start-to-trough GDP and UK HPI declines of (4.3%) and (19.7%), respectively, with a recovery over 2021
- We also considered the mitigating effects of government support actions, the potential recovery trajectory, differential impacts on portfolio and sector classes including the application of IFRS 9 in the context of Covid-19
- During Q1'20 the ECL overlay has been increased by £628 million to £798 million
- Compared to the Downside 2 scenario disclosed at FY'19, the additional ECL overlay in Q1 2020 represents a more significant uplift, approximately 57% ECL across Stage 1 and Stage 2 overall
- We expect to have greater visibility of economic outlook using multiple economic scenarios, more experience of stage migration & understanding of trends in credit metrics. We will also continue to consider whether a further MES overlay is required.

## Risk Weighted Asset (RWA) movement

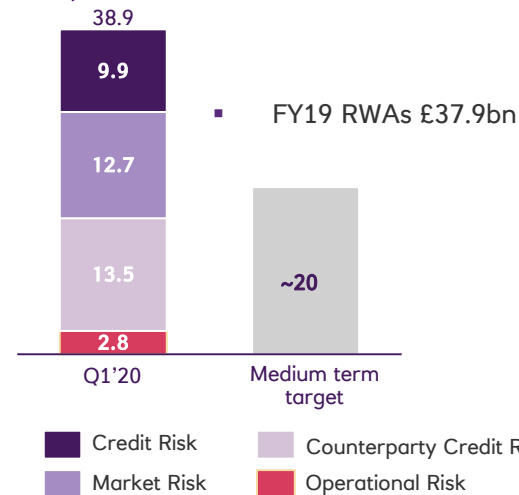
### RWA (£bn) by category



- Mortgage floor increase delayed to 1 Jan 2022
- Future RWA movement considerations include:
  - RWA intensity
  - Volumes – CBILS
  - Mix

## Maintaining focus on priorities: NatWest Markets

### RWA, £bn



### Outlook <sup>1,4</sup>

#### Risk Weighted Assets

- Actively identifying RWAs for reduction in 2020
- RWA increase in Q1 as market volatility increased counterparty credit and market risk, partially offset by the PRA's temporary approach to VaR back-testing exceptions
- Expect RWAs to reduce to c.£32bn in 2020 subject to more stable markets and based on current regulatory environment

#### Costs

- Income disposal losses associated with refocussing minimal in Q1
- Income disposal loss estimates for 2020 expected to be below £400m subject to market conditions

## Q1'20 update on targets and guidance<sup>1</sup>

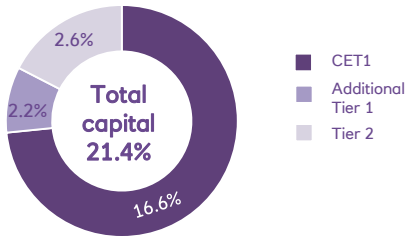
	2020 targets and guidance	Q1 Update
Regulatory impact	Personal Banking: c.£200m negative income impact	Reiterate guidance
Costs	Cost take-out target: £250m <sup>3</sup> Strategic costs target: £0.8-1.0bn	Committed to cost take-out target 2020 strategic costs to be at lower end of guidance
Impairments	Below 30-40bps through-the-cycle impairment loss rate assumption	Q1'20 90 bps of Gross L&A. Expect 2020 impairment losses to be meaningfully higher than previous guidance
RWAs	c.£185-190bn RWAs by end of FY'20	Given the current levels of uncertainty we are very likely to exceed the £185-190 billion range we previously guided to.
NWM RWAs	Reducing by £6-8bn in the first year	We aim to reduce RWAs to around £32bn by the end of 2020 - at lower end of full year guidance <sup>4</sup> . Expect to achieve this with lower income disposal losses than the £0.4 billion previously guided to, subject to market conditions.
Lending	Greater than 3% growth across our retail and commercial businesses	We expect to achieve lending growth of greater than 3% across our retail and commercial businesses given the significant increase in lending during 2020 to date

Reflecting the significant deterioration in economic outlook and unprecedented levels of uncertainty it would be inappropriate to provide an update on medium term outlook at this time

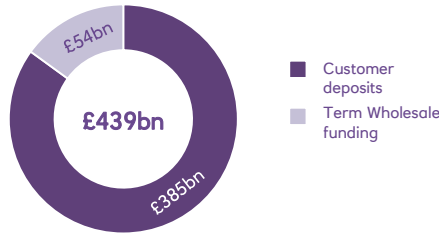
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# Robust capital, funding and liquidity metrics

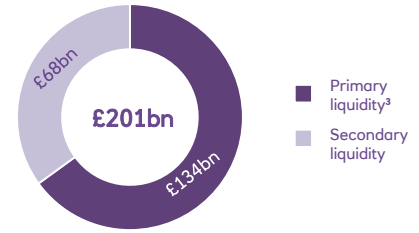
## Capital stack (% RWA)



## Total funding mix (£bn)<sup>1,2</sup>



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



Risk Weighted Assets  
**£185bn**

UK Leverage Ratio  
**5.8%**

Loan to Deposit Ratio  
**91%**

Short-term Wholesale Funding  
**£32bn**

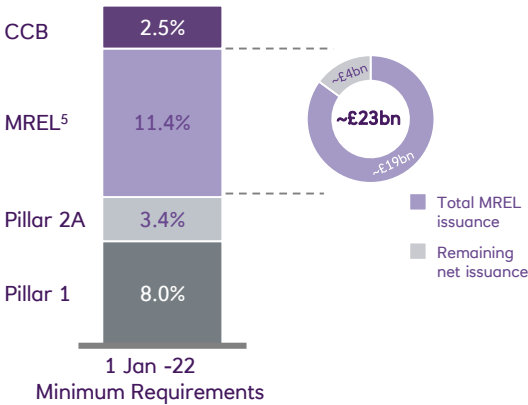
Liquidity Coverage Ratio  
**152%**

Net Stable Funding Ratio  
**138%**

## Good progress on future MREL stack, on track to meet end-state requirements

### Future LAC Requirement<sup>4</sup>

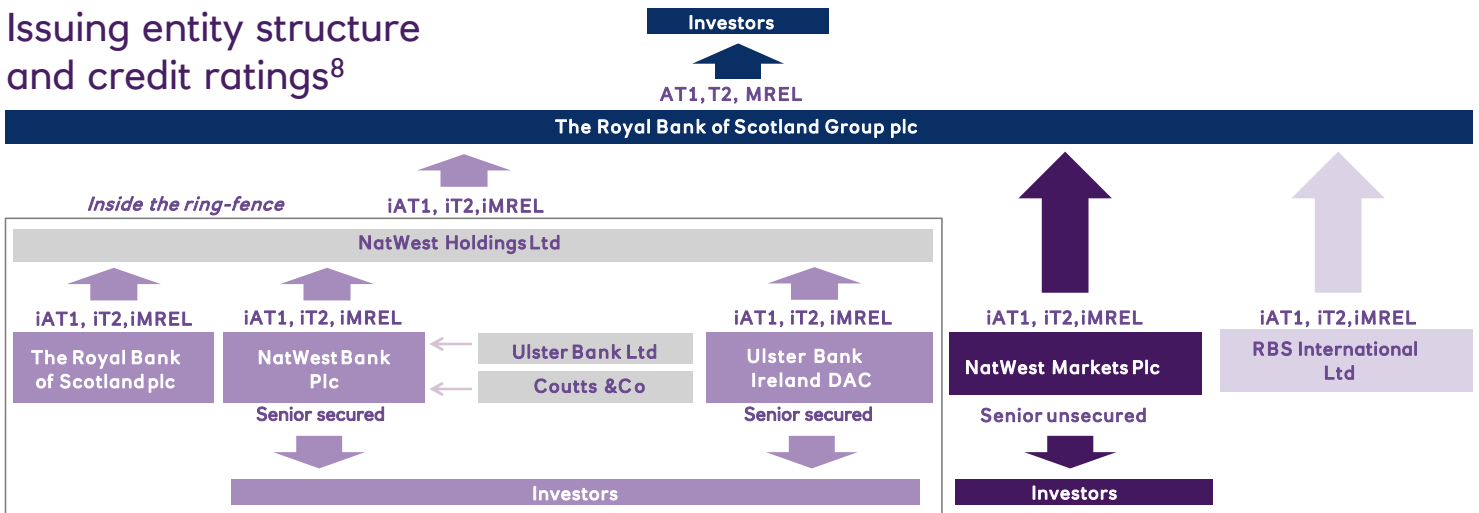
Based on BoE 2019 actual and indicative MREL<sup>5</sup> requirements, remaining net issuance based on illustrative £200bn RWAs<sup>6</sup>



### 2020 Issuance plan

RBSG plc Senior unsecured MREL	£2-4bn (Up to £1bn in GSS format) <sup>7</sup>
RBSG plc Tier 2	Up to £2.5bn
RBSG plc AT1	Up to £1.5bn
NWM Plc Senior unsecured	£3 to 5bn
NWB Plc Covered Bond and RMBS	Volume subject to funding and liquidity considerations

## Issuing entity structure and credit ratings<sup>8</sup>



	The Royal Bank of Scotland Group plc	NatWest Bank Plc	Royal Bank of Scotland plc	Ulster Bank Limited	Ulster Bank Ireland DAC	NatWest Markets Plc	NatWest Markets N.V.	NWM Securities Inc	RBSI
Moody's	Baa2/Pos	A1*/A2/Pos	A1*/A2/Pos	A1*/A2/Pos	A3*/Baa1/Pos	Baa2/Pos	Baa2/Pos	NR	Baa1/Pos
S&P	BBB/Neg	A/Neg	A/Neg	A/Neg	A-/Neg	A-/Neg	A-/Neg	A-/Neg	A-/Neg
Fitch	A/Neg	A+/Neg	A+/Neg	A+/Neg	A-/Neg	A+/Neg	A+/Neg	A/Neg	A/Neg

Note: Figures may not cast due to rounding. 1 Funding excluding repos, derivative cash collateral. 2 Customer deposits includes amounts from NBFIs, excludes customer repos. 3 Primary liquidity includes cash and other highly liquid securities, secondary liquidity comprises assets eligible for discounting at the Bank of England and other central banks. 4 LAC: Loss Absorbing Capital, comprising minimum requirement for own funds and eligible liabilities and CRDIV buffers. Requirements are based on BoE 2019 actual and indicative MREL requirements updated for current RBSG Pillar 2A requirements and countercyclical buffer changes. CRD IV buffers exclude G-SIB buffer which no longer applies from 1 Jan 2020. The requirements are shown exclusive of management and PRA buffers. 5 Senior unsecured MREL not required to be met by regulatory capital. 6 Illustrative only, both RWA and future capital requirements subject to change. Illustrative RWA requirements are subject to change. If these are lowered then our corresponding MREL requirements will also be lowered. 7 Green, Social and Sustainability. 8 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 (hence iAT1, iT2, iMREL). 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 Ireland DAC and Ulster Bank Ltd; All other ratings reflect the long-term issuer/senior unsecured ratings.