

Q3 2018 Results

26th October

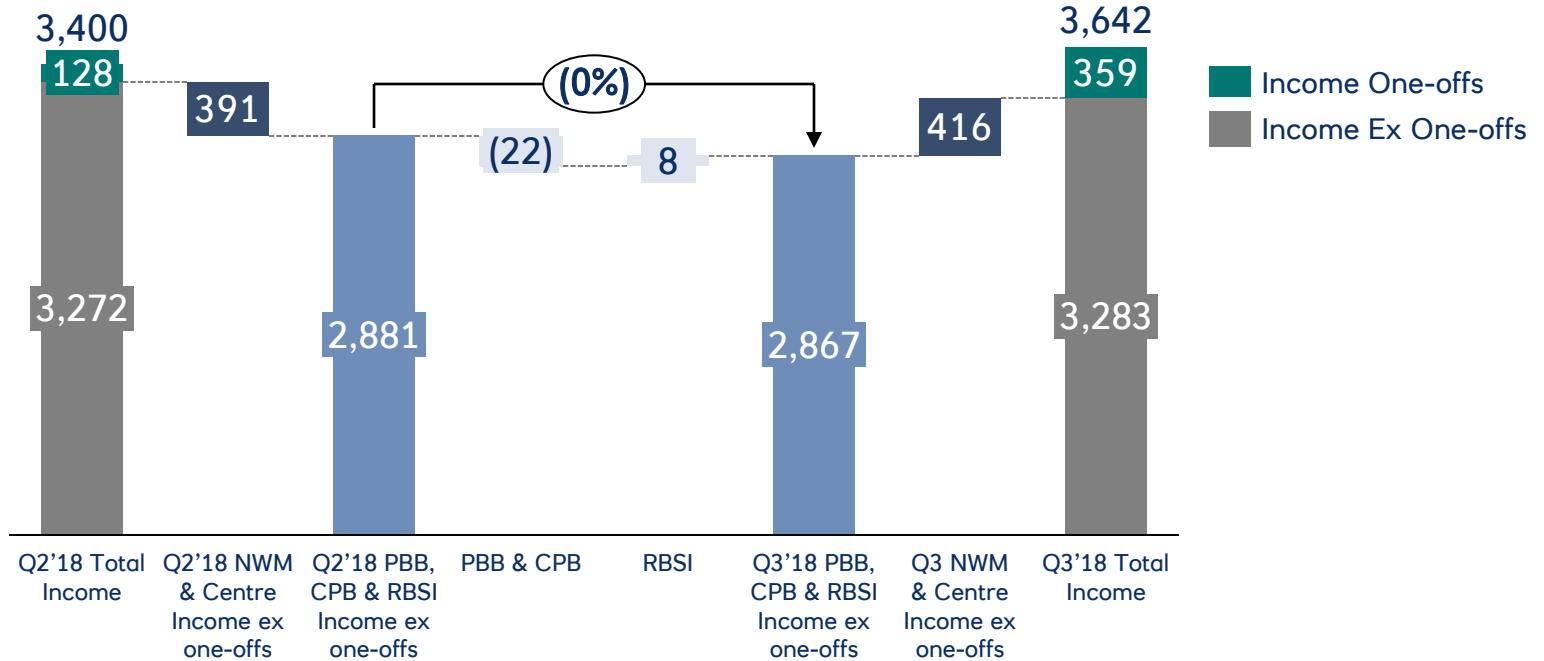
Key Messages

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

Income Q3 2018 vs Q2 2018

Retail & Commercial performance stable excluding one-offs in tougher conditions

Income (£m) ⁽¹⁾



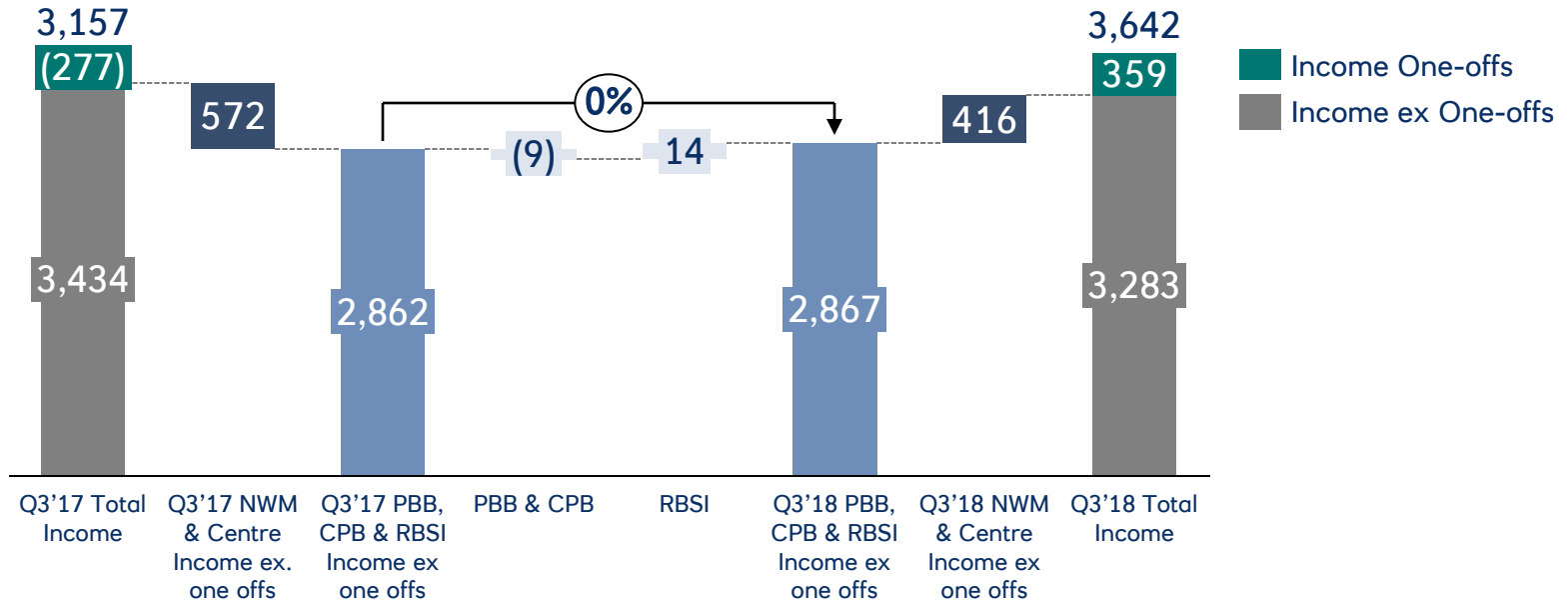
- Q3 2018 Underlying income ex. Natwest Markets and Centre stable vs Q2 2018

⁽¹⁾ One off items include Own Credit Adjustment (OCA) of £18m in Q2 18 and £20m in Q3 18

Income Q3 2018 vs Q3 2017

Retail & Commercial performance stable excluding one-offs in tougher conditions

Income (£m) ⁽¹⁾

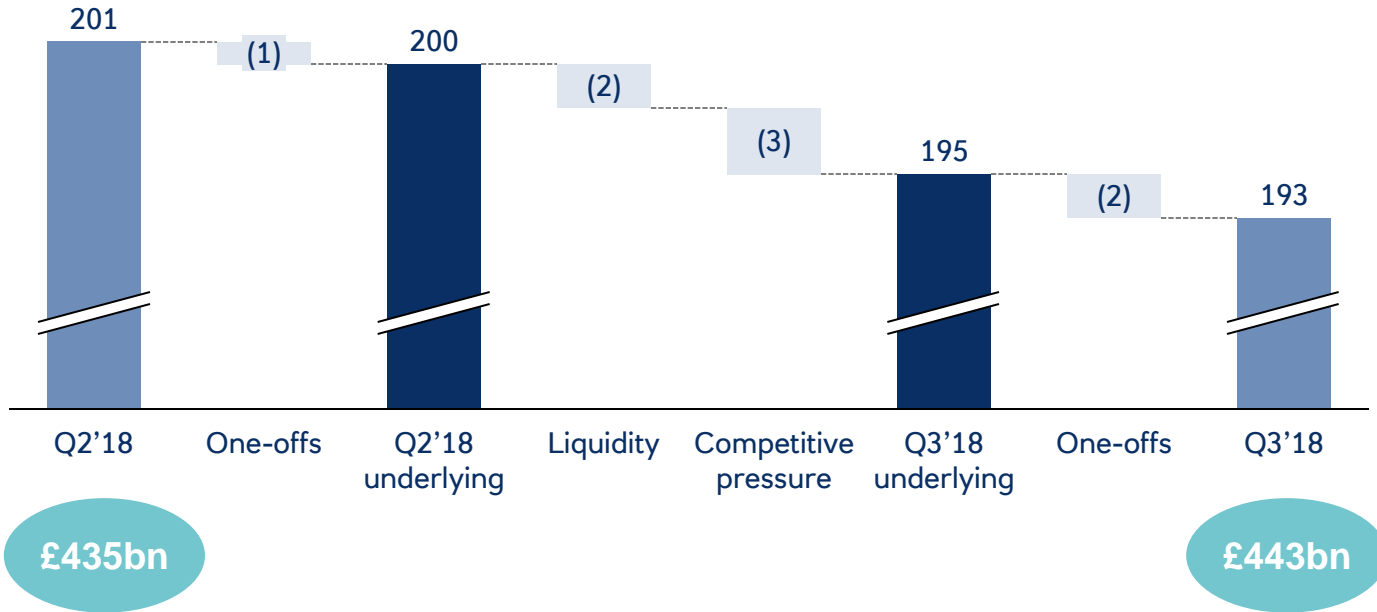


- Q3 2018 Underlying income ex. Natwest Markets and Centre stable vs Q3 2017

⁽¹⁾ Adjusting for the impact of transfers. One off items include Own Credit Adjustment (OCA) of -£5m in Q3 17 and £20m in Q3 18

Net Interest Margin Q3 2018

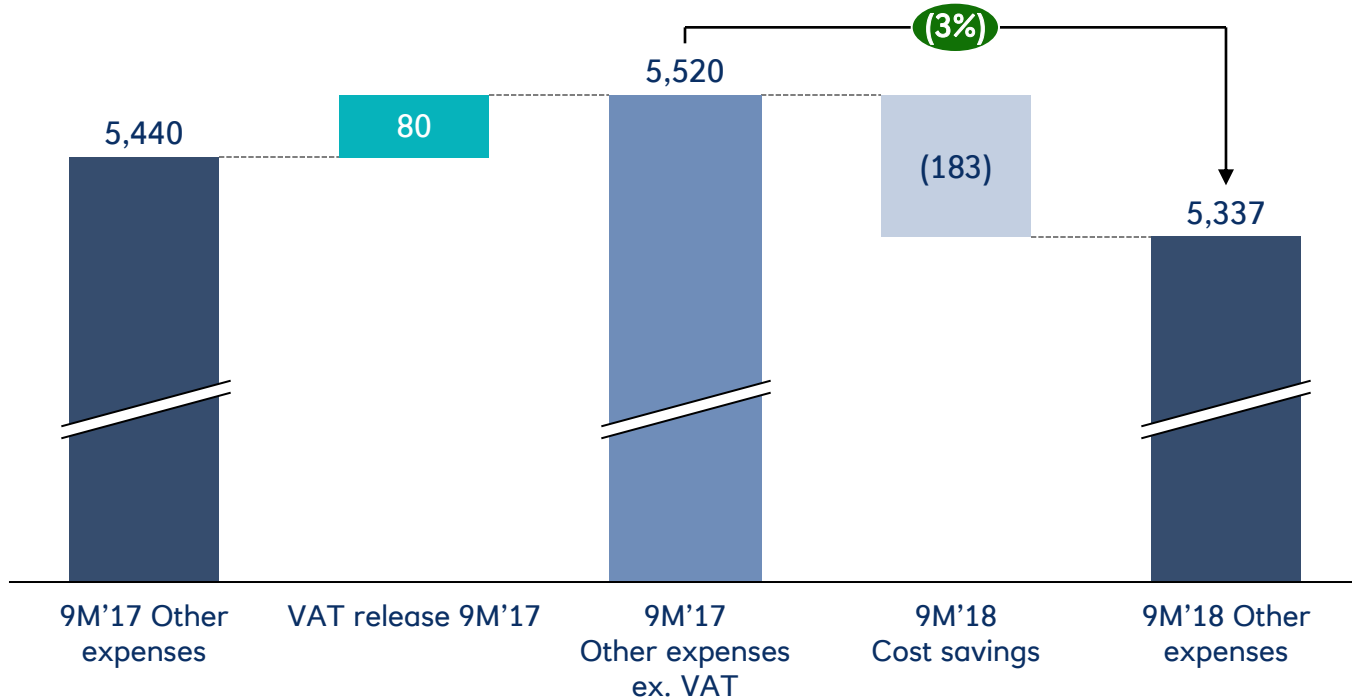
NIM (bps)



Average Interest Earning Assets

Cost Savings

Costs (£m)

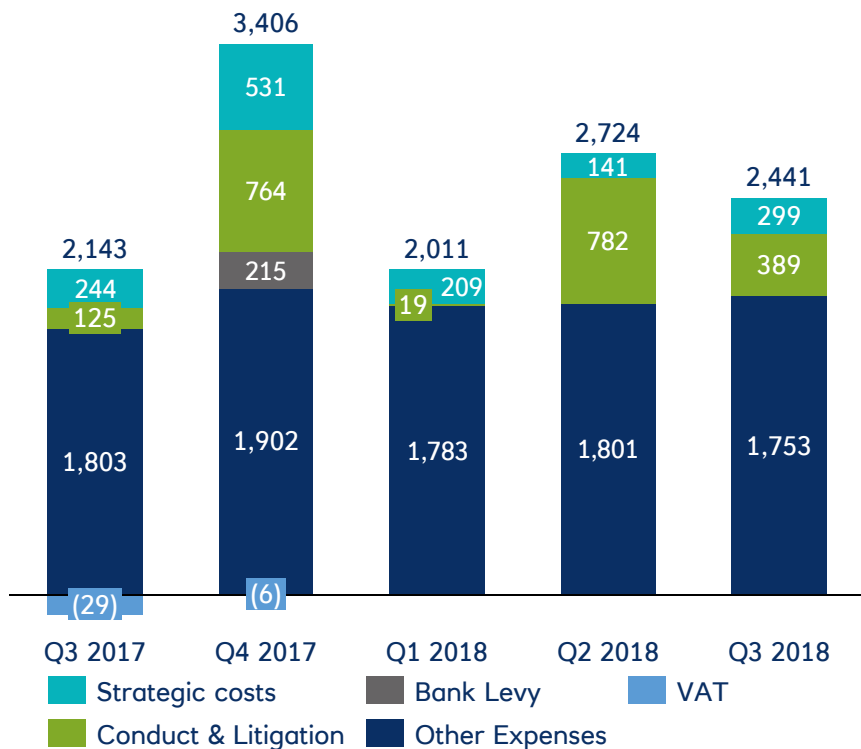


Costs Q3 2018

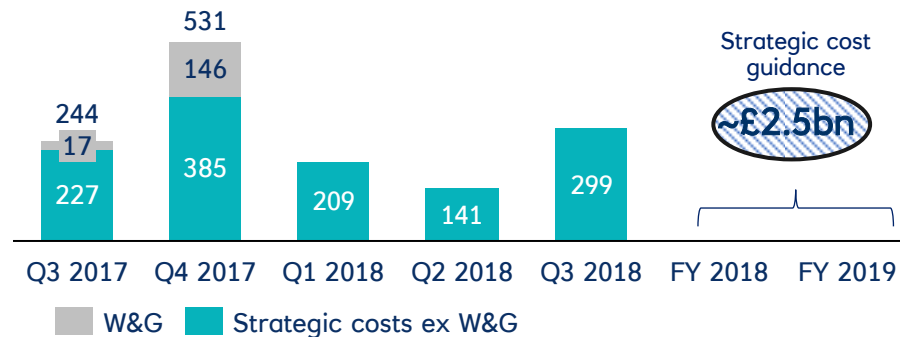
Continued run-down of underlying costs



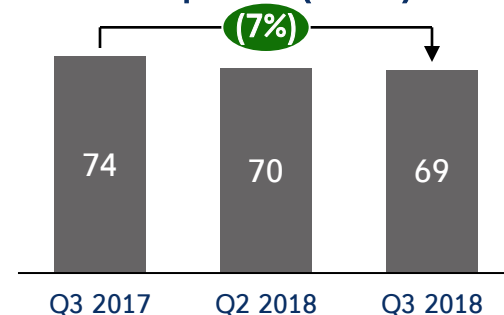
Operating costs (£m)



Strategic costs (£m)

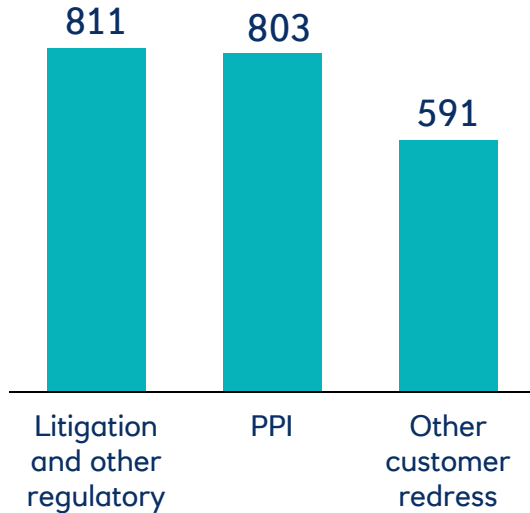


FTE profile ('000s)



Litigation and conduct

End of Q3 2018 provisions (£m)



Total provisions for liabilities and charges: £3.2bn⁽¹⁾ as at Q3 2018

Comments

US RMBS

- Reached final settlement on 14th August with US DOJ for US RMBS for \$4.9bn
- This settlement amount was paid in September

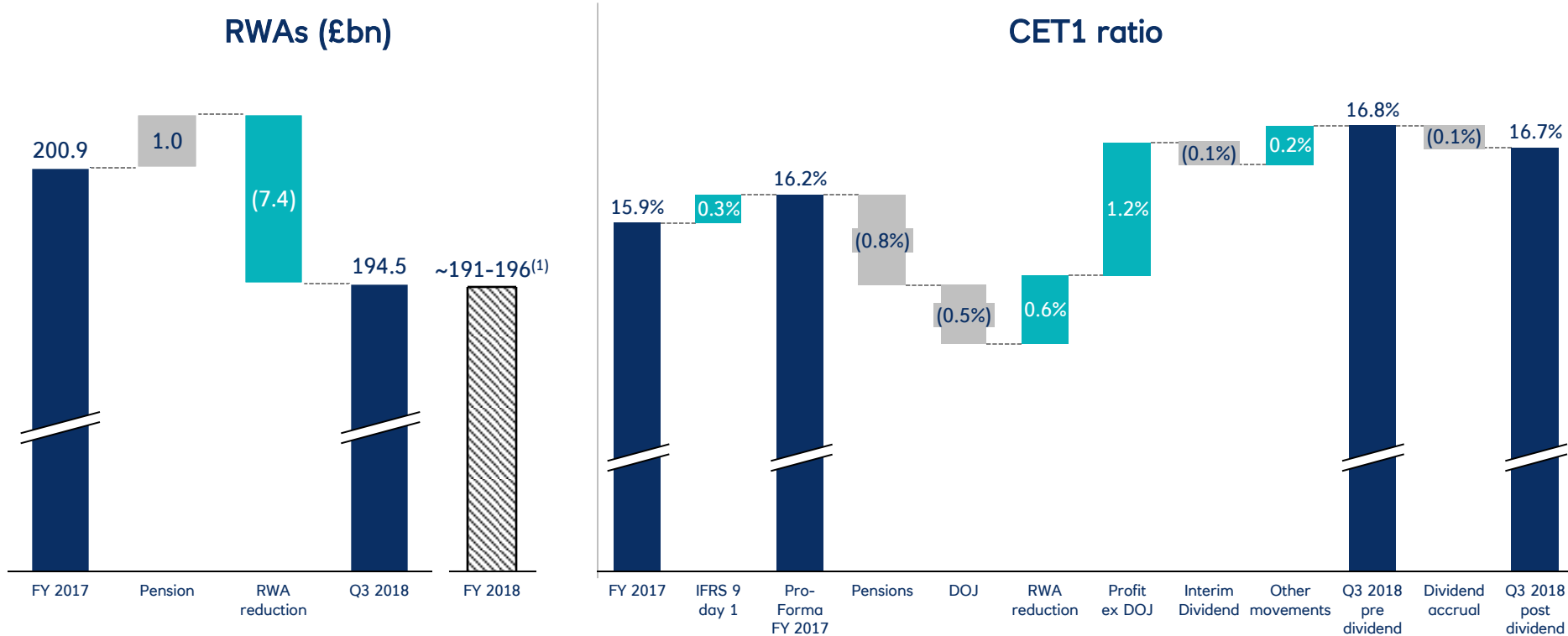
Payment Protection Insurance

- Additional £200m PPI provision was taken reflecting greater than predicted volumes
- RBS has made provisions totalling £5.3bn to date for PPI claims. £4.5bn had been utilised by 30 September 2018 of which £142m in the quarter
- £803m balance sheet provisions (including for Plevin commission claims) remaining

⁽¹⁾ Includes 'other' provisions as per Note 3 of the Q3 2018 company announcement

RWAs and capital generation

Continued RWA reductions support strong capital build



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

Appendix



Q3 2018 results by business

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

⁽¹⁾ Central items includes unallocated transactions which principally comprises RMBS charges and volatile items under IFRS

⁽²⁾ RBS's CET 1 target is in excess of 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 14% (Ulster Bank RoI), 11% (Commercial Banking), 13.5% (Private Banking), 16% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders

⁽³⁾ Operating lease depreciation included in income.

Notable items: Income

(£m)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Income	3,642	3,400	3,302	3,057	3,157	3,707	3,212
IFRS volatility in Central items	77	17	(128)	(173)	21	172	(18)
Insurance Indemnity	272						
o/w Natwest Markets	165						
o/w Centre	107						
UK PBB Debt Sale	-	-	26	9	168	-	8
FX (loss)/gain in Central items	(11)	19	(15)	(8)	(67)	(56)	(52)
Commercial Fair Value and Disposal (loss)/gain in income	(13)	115	77	(46)	52	-	-
NatWest Markets Legacy Business Disposal (loss)/gain in income ⁽¹⁾	14	(41)	(16)	(163)	(446)	(53)	(50)
Own Credit Adjustments	20	18	21	9	(5)	(44)	(29)
Strategic disposals	-	-	-	191	-	156	-
o/w Vocalink Gain	-	-	-	-	-	156	-
o/w Euroclear Gain ⁽¹⁾	-	-	-	161	-	-	-
Notable Items in Total Income - Total	359	128	(35)	(181)	(277)	175	(141)

⁽¹⁾ The Euroclear gain in strategic disposals includes £26m which arose in NatWest Markets legacy business in Q4 2017. This amount is therefore not shown within NatWest Markets legacy business disposal losses through income, but forms part of overall NatWest Markets legacy business disposal losses

Notable items: Expenses

(£m)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Expenses	(2,441)	(2,724)	(2,011)	(3,406)	(2,143)	(2,399)	(2,453)
VAT recovery in Centre	-	-	-	6	29	-	51
Bank Levy	-	-	-	(215)	-	-	-
Strategic Costs	(299)	(141)	(209)	(531)	(244)	(213)	(577)
Litigation & Conduct	(389)	(782)	(19)	(764)	(125)	(342)	(54)
o/w US RMBS	(21)	(803)	1	(442)	-	(222)	-
o/w DOJ	-	(1,040)	-	-	-	-	-
o/w Nomura RMBS Litigation Indemnity Recovery	-	241	-	-	-	-	-
o/w PPI	(200)	-	-	(175)	-	-	-
o/w Ulster Bank Rol	(37)	(8)	(9)	(135)	(1)	(33)	-
Notable Items in Total Expenses – Total	(688)	(923)	(228)	(1,504)	(340)	(555)	(580)

Diluted Tangible Net Asset Value (TNAV) movements

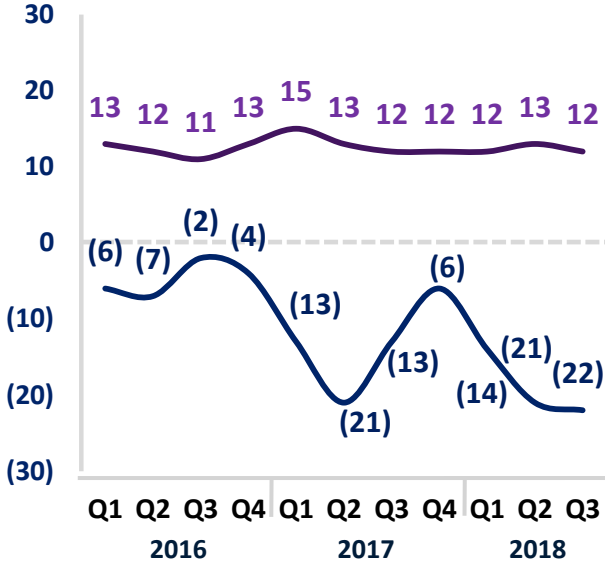


	Amount (£m)	Shares in issue (m)	TNAV per share (p)	Amount (£m)	Diluted shares in issue (m)	Diluted TNAV per share (p)
Q2 2018 TNAV	34,564	12,028	287p	34,564	12,095	286p
Profit for the period post tax	563		5p	563		5p
Less: loss to NCI / other owners	(115)		(1p)	(115)		(1p)
Less: Ordinary Dividend	(241)		(2p)	(241)		(2p)
Other comprehensive Income	(109)		(1p)	(109)		(1p)
<i>o/w AFS</i>	(110)		(1p)	(110)		(1p)
<i>o/w Cashflow hedging gross of tax</i>	(301)		(2p)	(301)		(2p)
<i>o/w FX</i>	102		1p	102		1p
<i>o/w Remeasurement of net defined pension liability</i>	72		1p	72		1p
<i>o/w OCA</i>	14		-	14		-
<i>o/w Tax</i>	114		1p	114		1p
Less: OCI attributable to NCI / other owners	(35)		-	(35)		-
Proceeds of share issuance	51	20	1p	51	20	1p
Other movements	(6)		(1p)	(6)	(24)	(1p)
Q3 2018 TNAV	34,672	12,048	288p	34,672	12,091	287p
Change	108	20	1p	108	(4)	1p

Net Promoter Scores across our brands

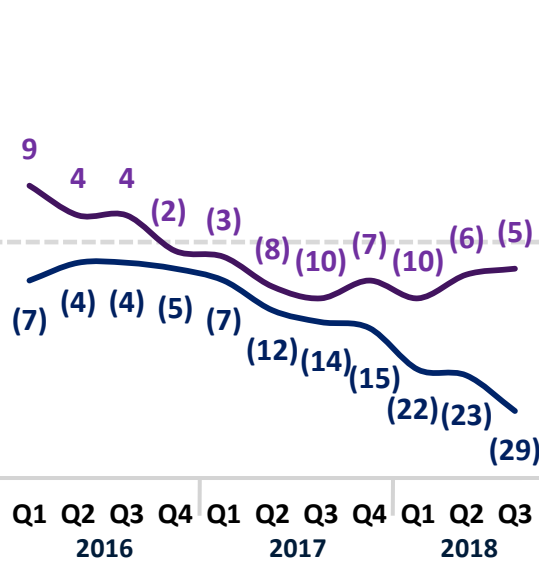
Personal Banking⁽¹⁾

NatWest remains stable. Branch closures impacting Royal Bank of Scotland.



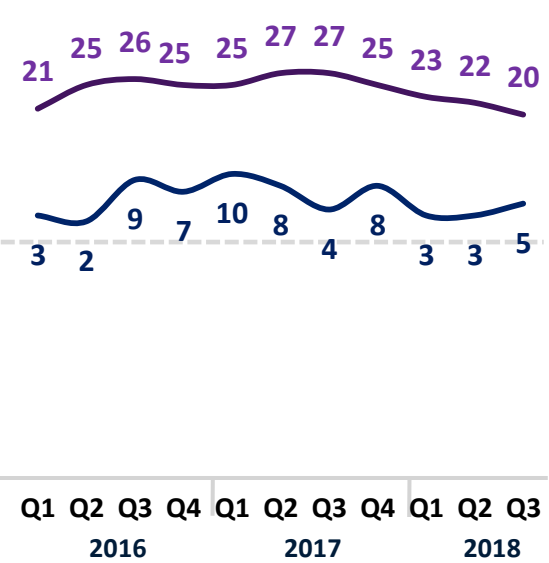
Business Banking⁽²⁾

NatWest beginning to recover from operating model changes



Commercial Banking⁽³⁾

NatWest ahead of the rest of the market



— Royal Bank of Scotland — NatWest

(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3,032) Royal Bank of Scotland (Scotland) (400). 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: Charterhouse Research Business Banking Survey, Q3 2018. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: NatWest England & Wales (1157), RBS Scotland (424). 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: Charterhouse Research Business Banking Survey, Q3 2018. Commercial £2m+ in GB. Sample size excluding don't knows: NatWest (598); Royal Bank of Scotland (271). 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.

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The targets, expectations and trends discussed in this presentation represent management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017 and the "Summary Risk Factors" on pages 48-49 of the Interim Results 2018.

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In particular, this presentation 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; structural reform and the implementation of the UK ring-fencing regime; the implementation of RBS's transformation programme, the satisfaction of the Group's residual EU State Aid obligations; the continuation of RBS'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; RBS's exposure to political and economic risks, operational risk, conduct risk, cyber and IT risk and credit rating risk and to various types of market risks, including as 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.

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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 presentation, including in the risk factors and other uncertainties set out in the Group's 2017 Annual Report on Form 20-F and other materials filed with, or furnished to, the US Securities and Exchange Commission. These include the significant risks for RBS presented by RBS's ability to successfully implement the significant and complex restructuring required to be undertaken in order to implement the UK ring-fencing regime and related costs; RBS's ability to successfully implement the various initiatives that are comprised in its restructuring and transformation programme, the balance sheet reduction programme and its significant cost-saving initiatives and whether RBS will be a viable, competitive, customer focused and profitable bank especially after its restructuring and the implementation of the UK ring-fencing regime; economic, regulatory and political risks, including as may result from the uncertainty arising from Brexit and from the outcome of general elections in the UK and changes in government policies; the outcomes of the legal, regulatory and governmental actions and investigations that RBS is or may be subject to and any resulting material adverse effect on RBS of unfavourable outcomes and the timing thereof (including where resolved by settlement); the dependence of the Group's operations on its IT systems; the exposure of RBS to cyber-attacks and its ability to defend against such attacks; RBS's ability to achieve its capital, funding, liquidity and leverage requirements or targets which will depend in part on RBS's success in reducing the size of its business and future profitability as well as developments which may impact its CET1 capital including additional litigation or conduct costs, further impairments or accounting changes; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity or failure to pass mandatory stress tests; RBS's ability to access sufficient sources of capital, liquidity and funding when required; RBS's ability to satisfy its residual EU State Aid obligations and the timing thereof; changes in the credit ratings of RBS, RBS entities or the UK government; declining revenues resulting from lower customer retention and revenue generation in light of RBS's strategic refocus on the UK; as well as increasing competition from new incumbents and disruptive technologies.

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