

Q1 2019 Results

26th April 2019

Q1 2019 update on progress

Net loan growth

- 0.8% annualised net loan growth across Personal & Ulster and Commercial & Private

Continuing cost reduction

- Reduced other operating costs by £45m in Q1'19 vs Q1'18
- Targeting cost reduction of £300m in 2019

Capital generation

- Underlying capital generation of 30bps in Q1'19
- CET1 ratio at 16.2% post dividend accrual
- RWAs £191bn

Capital Return

- Targeting CET1 of c.14% by the end of 2021
- 2p dividend accrual in Q1'19

Customer Advocacy

- Investing in innovation to deliver a better service for customers

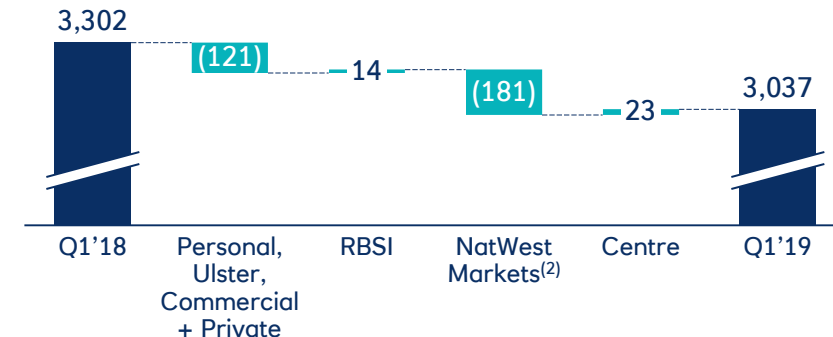
Summary financials

vs. Q1 2018

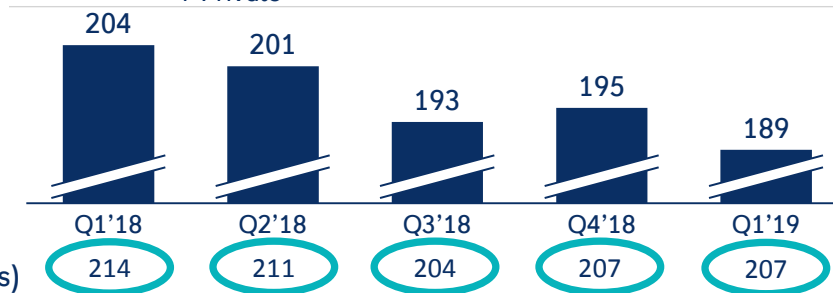


Income	↓ £3,037m (8%)
Operating expenses	↓ £1,938m (4%)
Operating profit	↓ £1,013m (16%)
Attributable profit	↓ £707m (13%)
NIM ex NWM	↓ 207bps (7bps)
CET1 ratio (post dividend accrual)	↓ 16.2% (20bps)
TNAV per share ⁽¹⁾	↓ 288p (7p)
RoTE	↓ 8.3% (11ppts)
Cost:Income ratio	↑ 63% 2ppts

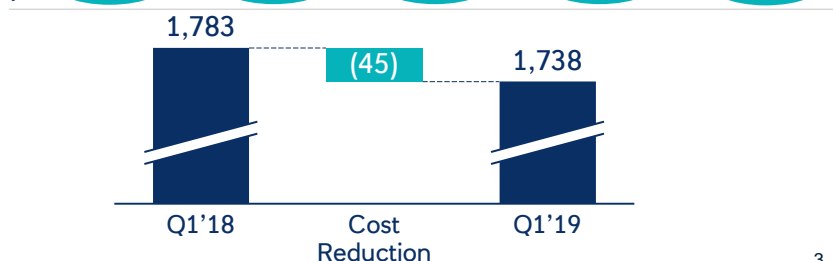
Income (£m)



NIM (bps)



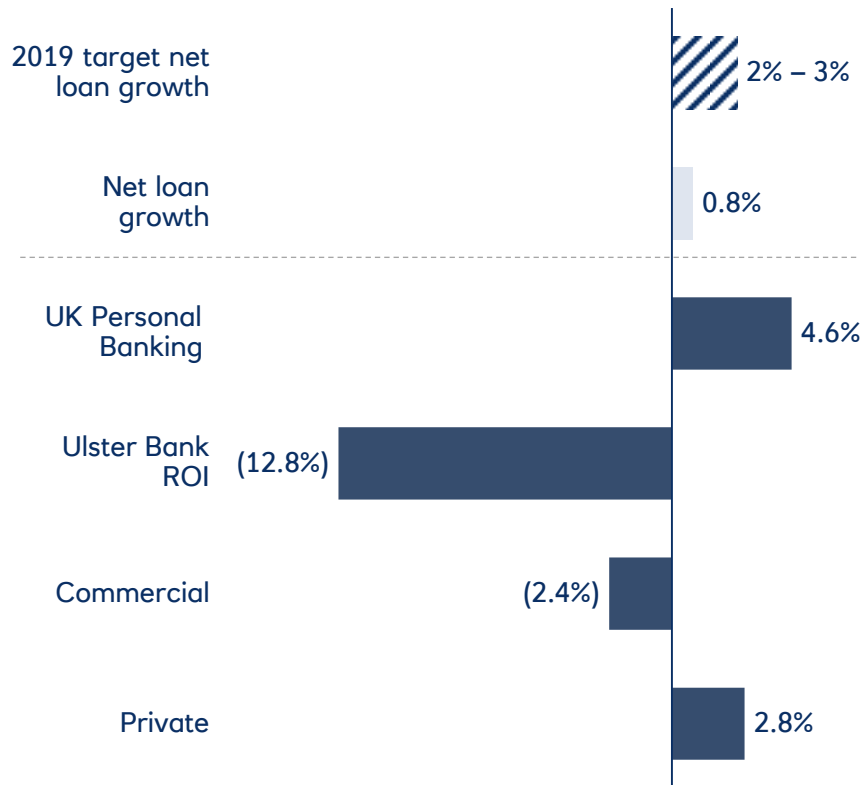
Other Costs (£m)



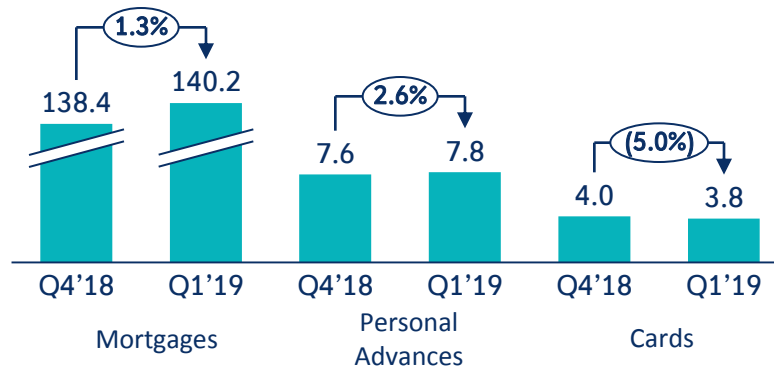
⁽¹⁾ TNAV per ordinary share on a fully diluted basis. ⁽²⁾ "NWM" throughout this presentation refers to NatWest Markets franchise.

Net loan growth

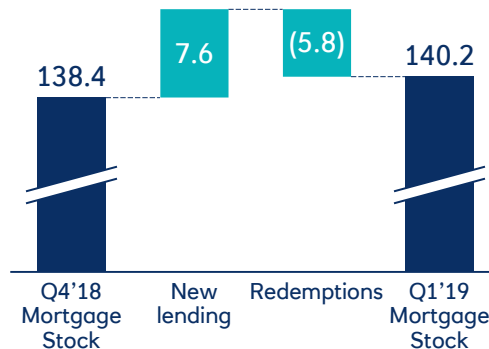
Net Loan Growth ⁽¹⁾(£bn)



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



Mortgage Growth (£bn)



Q1 2019 Mortgage Statistics

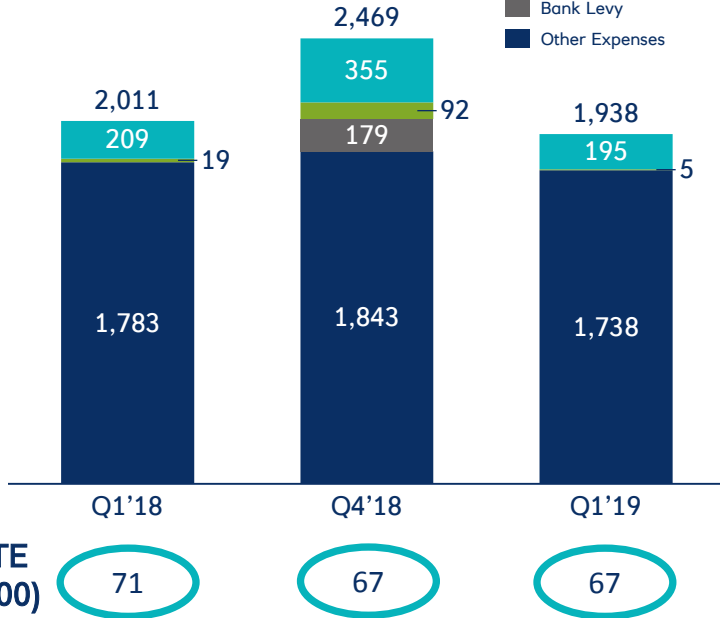
- Flow share approximately 13%
- Approval share of around 12%
- Mortgages stock share ~10%

⁽¹⁾ Q1'19 vs. Q4'18 net loan growth presented on an annualised basis.

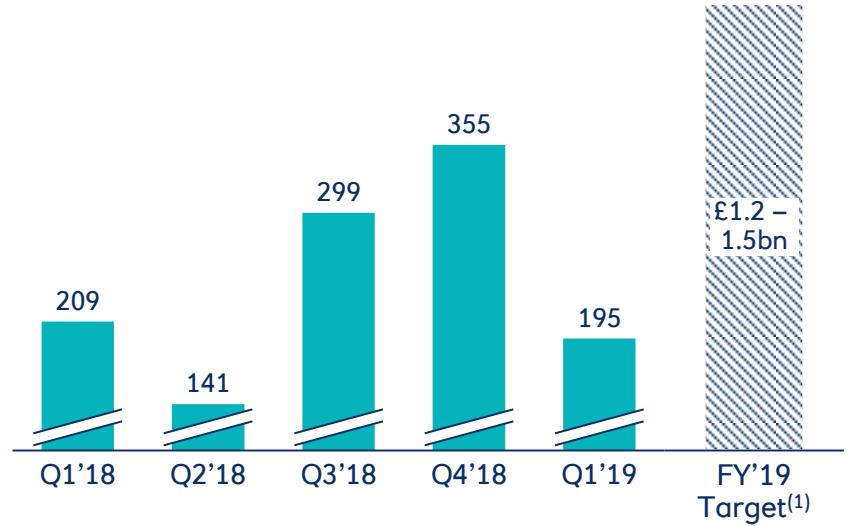
Cost reduction

Operating costs (£m)

- Strategic costs
- Conduct & Litigation
- Bank Levy
- Other Expenses



Strategic costs (£m)



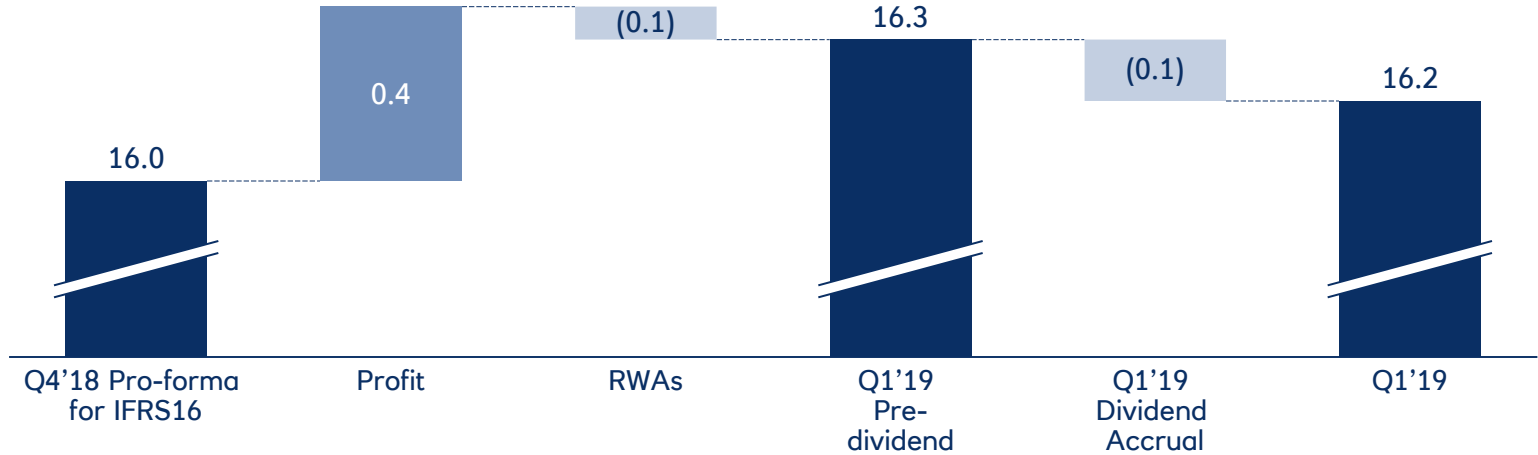
£45m cost reduction in Q1 2019
Target £300m in the year

⁽¹⁾ We expect to be towards the lower end of £1.2 to £1.5bn range by the end of 2019, with the remaining coming through in 2020.

Capital generation

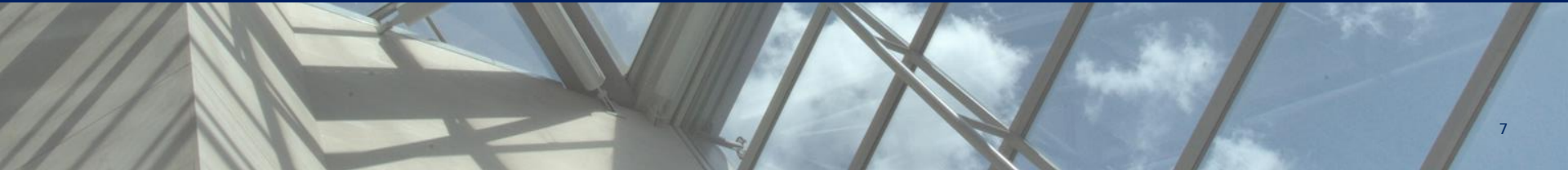
Strong capital build

CET1 (%)

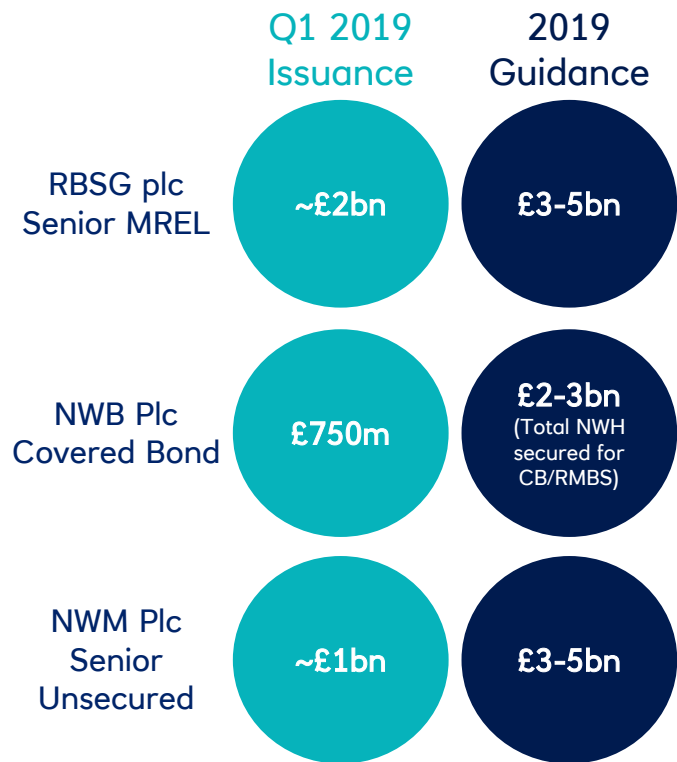


- Underlying capital generation of 30bps in the quarter

Appendix



Good progress against 2019 issuance plan



Continuing diversification of issuance across a range of formats, currencies and tenors

USD

- \$2bn RBSG senior MREL 6NC5 FXD to FRN
- \$1.0bn NWM Plc senior 3.5Yr FXD
- \$300m NWM Plc senior 3.5Yr FRN

GBP

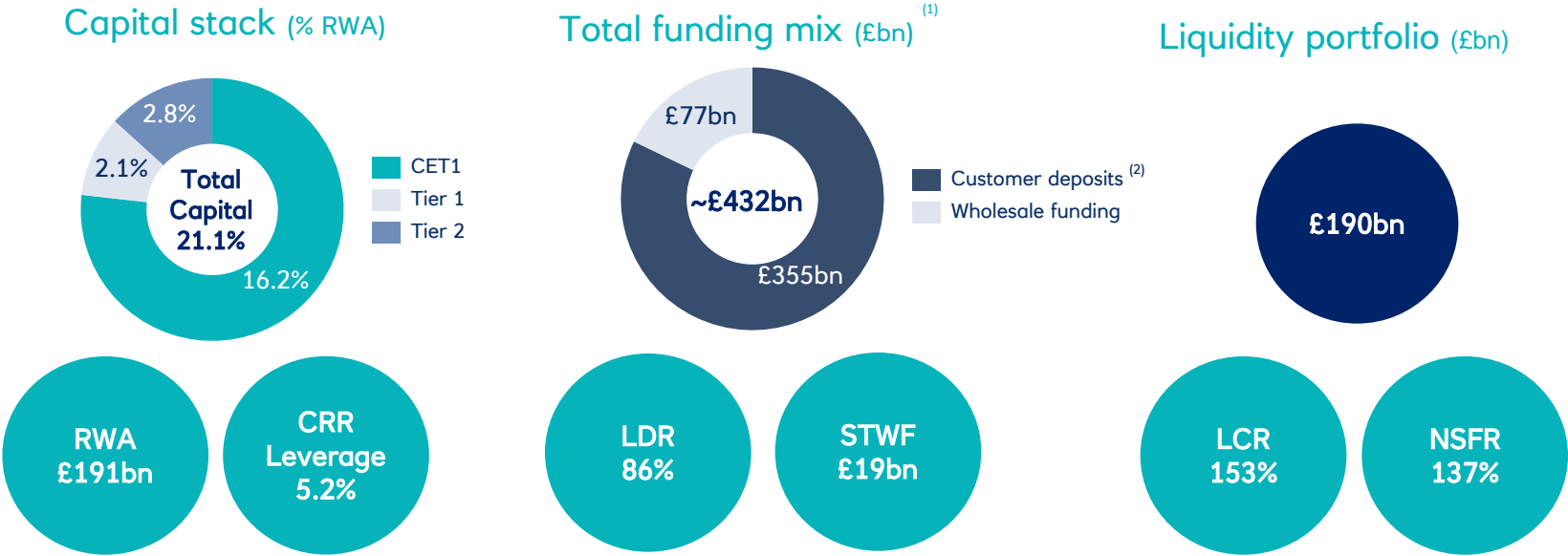
- £0.5bn RBSG senior MREL 8NC7 FXD
- £750m inaugural NWB Plc SONIA linked 4Yr FRN Covered Bond

Ongoing optimisation of our capital stack

- Redeemed €1bn Tier 2 3.625% notes
- Non-compliant legacy capital reduced to ~£1.5bn Tier 1 and ~£1.6bn Tier 2
- Tier 2 potential refinancing in H2 up to £1bn
- No need for AT1 this year, potential refinancing in 2020

Balance sheet strength

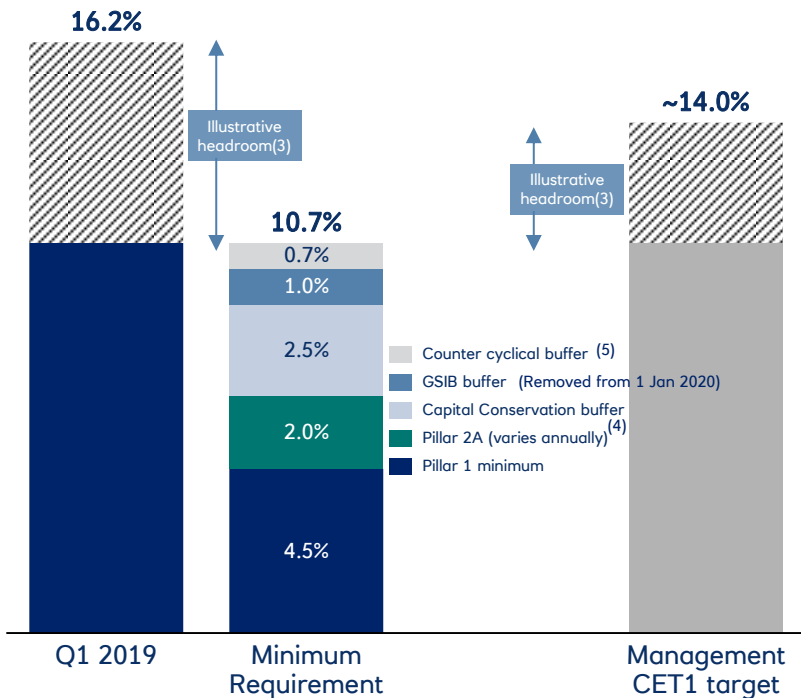
Key Q1 2019 capital, funding and liquidity metrics



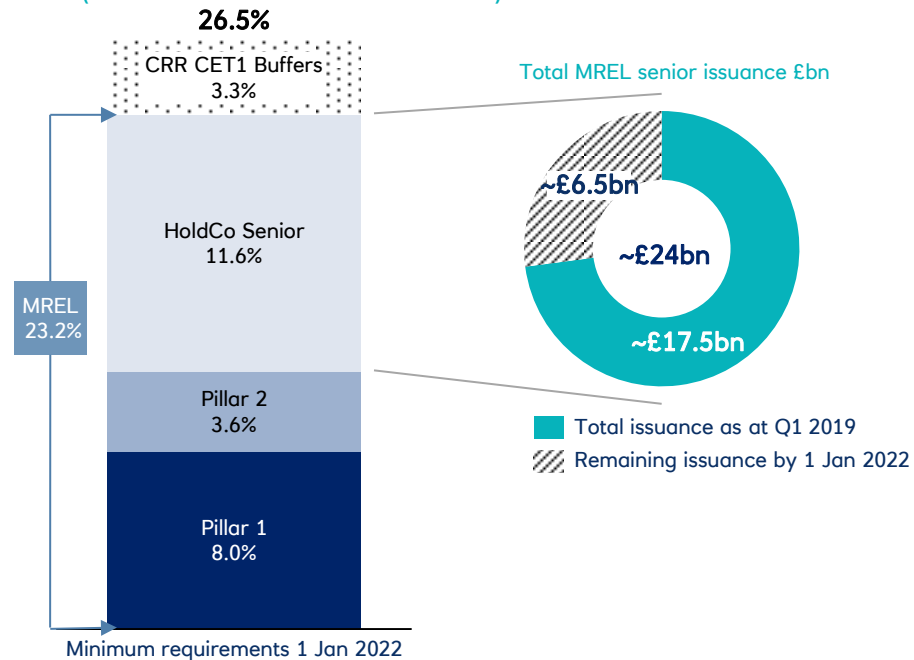
⁽¹⁾ Funding excluding repos, derivative cash collateral. ⁽²⁾ Customer deposits includes amounts from NBFIs and customer repos.

Regulatory capital ratios above regulatory requirements

Q1 2019 CET1 and target CET1 ratio versus maximum distributable amount (“MDA”) (2)



2022 minimum requirements as a % of RWA vs. Total MREL⁽¹⁾ senior unsecured outstanding (Based on estimated RWA of ~£200bn)



(1) “MREL” = Minimum required eligible liabilities (2) Illustration, based on assumption of static regulatory capital requirements. (3) Headroom presented on the basis of MDA, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future. (4) RBS’s Pillar 2A requirement was 3.6% of RWAs as at 31 December 2018. 56% of the total Pillar 2A requirement, must be met from CET1 capital. Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review. (5) UK Countercyclical Buffer introduced from November 2018.

Q1 2019 results by business

(£bn)	UK PB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	Total RBS
Income	1.2	0.1	1.1	0.2	0.2	0.3	(0.0)	3.0
Operating expenses	(0.6)	(0.1)	(0.6)	(0.1)	(0.1)	(0.3)	(0.0)	(1.9)
Impairment (losses) / releases	(0.1)	0.0	(0.0)	0.0	0.0	0.0	(0.0)	(0.1)
Operating profit	0.5	0.0	0.4	0.1	0.1	(0.1)	(0.1)	1.0
Funded Assets	172.2	24.8	165.4	21.7	28.9	138.8	33.3	585.1
Net L&A to Customers (amortised cost)	150.6	18.2	100.8	14.4	13.3	9.1	0.0	306.4
Customer Deposits	145.7	17.5	131.8	26.9	27.6	2.7	3.0	355.2
RWAs	35.8	14.2	78.1	9.6	7.0	44.6	1.5	190.8
LDR	103%	104%	76%	53%	48%	n.m.	n.m.	86%
ROE (%)⁽²⁾	24.7%	3.8%	11.5%	17.1%	28.6%	(2.4%)	n.m.	8.3%
Cost : Income ratio (%)⁽³⁾	51.0%	93.8%	57.8%	60.6%	39.1%	130.5%	n.m.	63.4%

(1) Central items include unallocated transactions which principally comprise volatile items under IFRS.

(2) RBS's CET 1 target is around 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 dividends is divided by notional equity allocated at different rates of 15% (Ulster Bank RoI, 14% prior to Q1 2019), 12% (Commercial Banking), 13% (Private Banking, 13.5% prior to Q1 2019), 16% (RBS International - 12% prior to Q4 2017)) 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 (Q1 2019 - £34 million;; Q4 2018 - £32 million; Q1 2018 - £31 million).

Notable items: Income

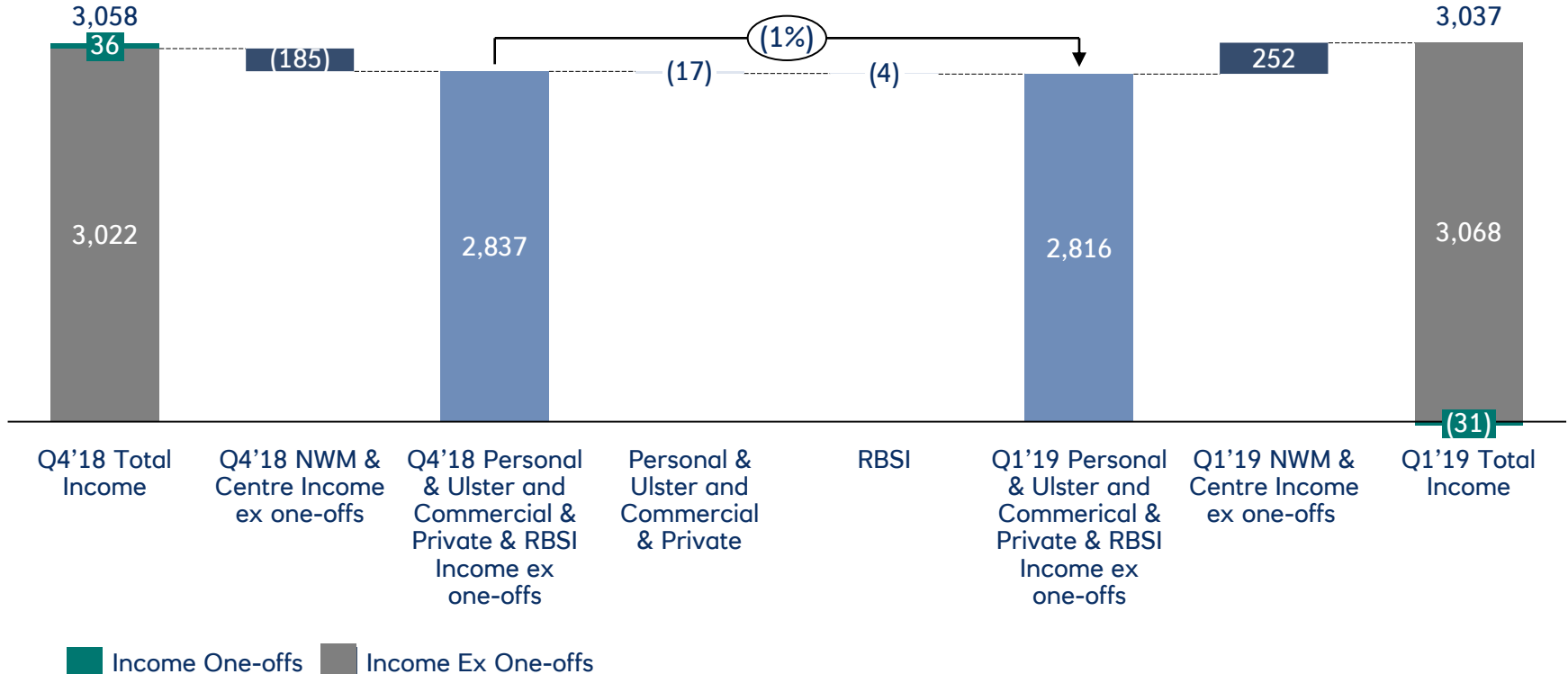
(£m)	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017
Total Income	3,037	13,402	3,058	3,642	3,400	3,302	13,133
IFRS volatility in Central items	(4)	(59)	(25)	77	17	(128)	2
Insurance Indemnity	-	357	85	272	-	-	-
o/w Natwest Markets	-	165	-	165	-	-	-
o/w Centre	-	192	85	107	-	-	-
UK PB Debt Sale	2	61	35	-	-	26	185
FX (loss)/gain in Central items	20	(46)	(39)	(11)	19	(15)	(183)
Commercial Fair Value and Disposal (loss)/gain in income	(2)	169	(10)	(13)	115	77	6
NatWest Markets Legacy Business Disposal (loss)/gain in income	(4)	(86)	(43)	14	(41)	(16)	(712)
Own Credit Adjustments	(43)	92	33	20	18	21	(69)
Gain / (Loss) on redemption of own debt	-	-	-	-	-	-	(7)
Strategic disposals	-	-	-	-	-	-	347
o/w Vocalink Gain	-	-	-	-	-	-	156
o/w Euroclear Gain ⁽¹⁾	-	-	-	-	-	-	161
Notable Items in Total Income - Total	(31)	488	36	359	128	(35)	(431)

Notable items: Expenses

(£m)	Q1'19	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017
Total Expenses	(1,938)	(9,645)	(2,469)	(2,441)	(2,724)	(2,011)	(10,401)
VAT recovery in Centre	-	-	-	-	-	-	86
Bank Levy	-	(179)	(179)	-	-	-	(215)
Strategic Costs	(195)	(1,004)	(355)	(299)	(141)	(209)	(1,565)
Litigation & Conduct	(5)	(1,282)	(92)	(389)	(782)	(19)	(1,285)
o/w US RMBS	-	(823)	-	(21)	(803)	1	(664)
o/w DOJ	-	(1,040)	-	-	(1,040)	-	-
o/w Nomura RMBS Litigation Indemnity Recovery	-	241	-	-	241	-	-
o/w PPI	-	(200)	-	(200)	-	-	(175)
o/w RBS's treatment of SME's	-	(50)	(50)	-	-	-	-
o/w Ulster Bank Rol	(1)	(71)	(17)	(37)	(8)	(9)	(169)
Notable Items in Total Expenses – Total	(200)	(2,465)	(626)	(688)	(923)	(228)	(2,979)

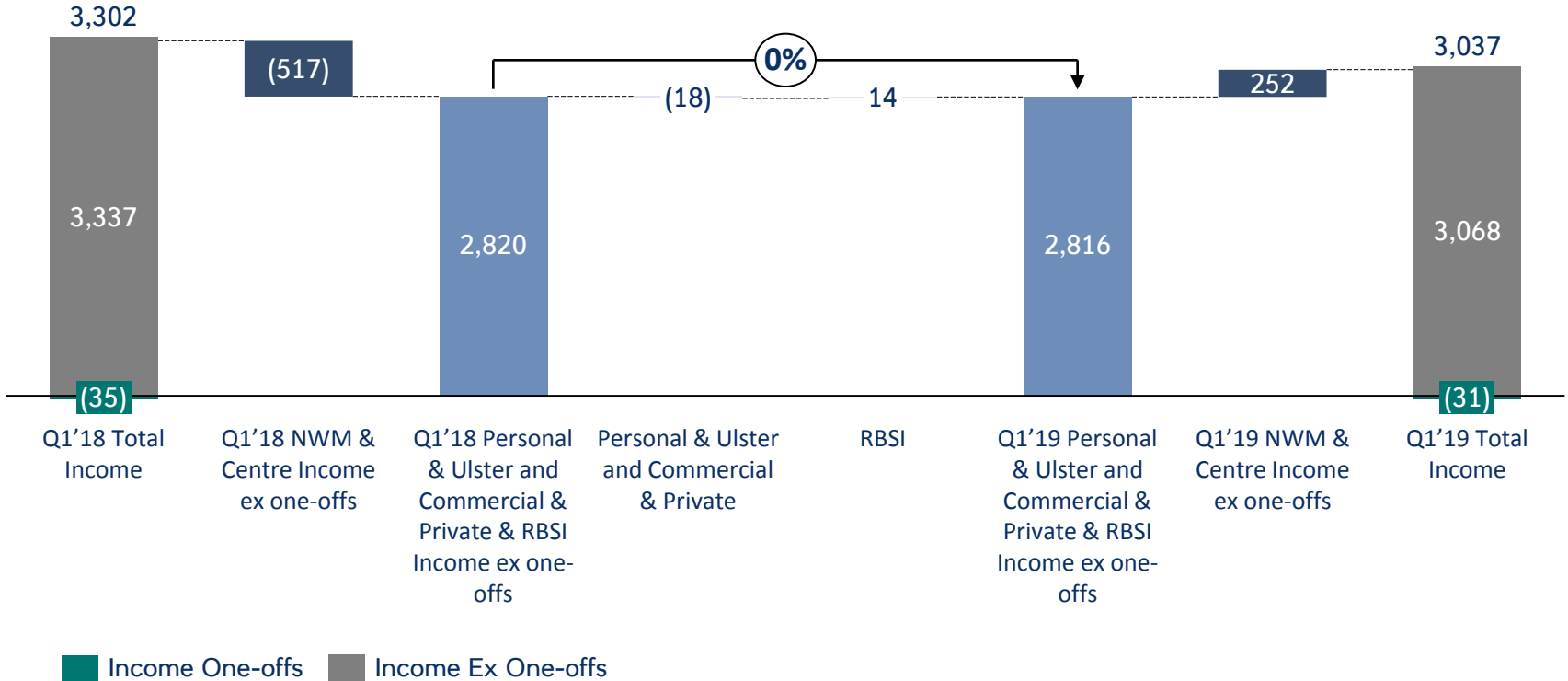
Income Q1 2019 vs Q4 2018

Income (£m)



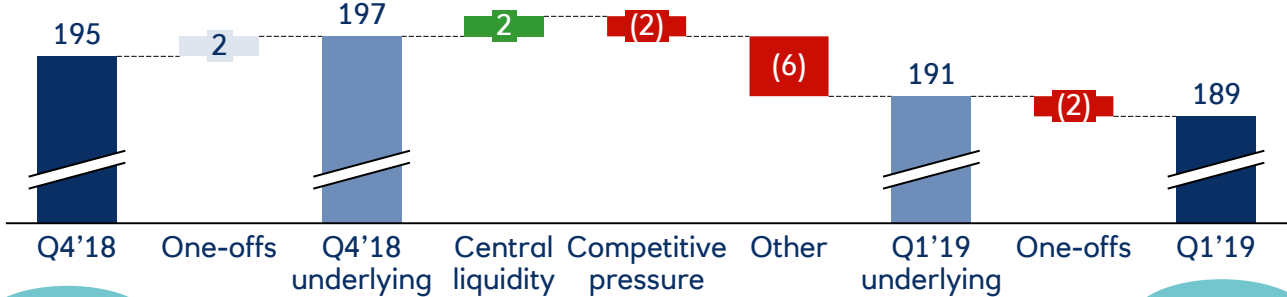
Income Q1 2019 vs Q1 2018

Income (£m)



Net Interest Margin Q1 2019 vs. Q4 2018

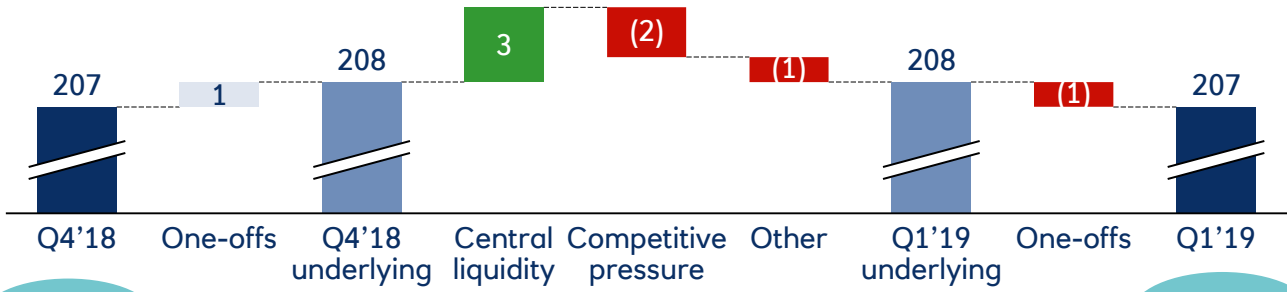
NIM (bps)



AIEAs £442bn

£436bn

NIM ex. NWM (bps)



AIEAs £412bn

£404bn

Future Considerations

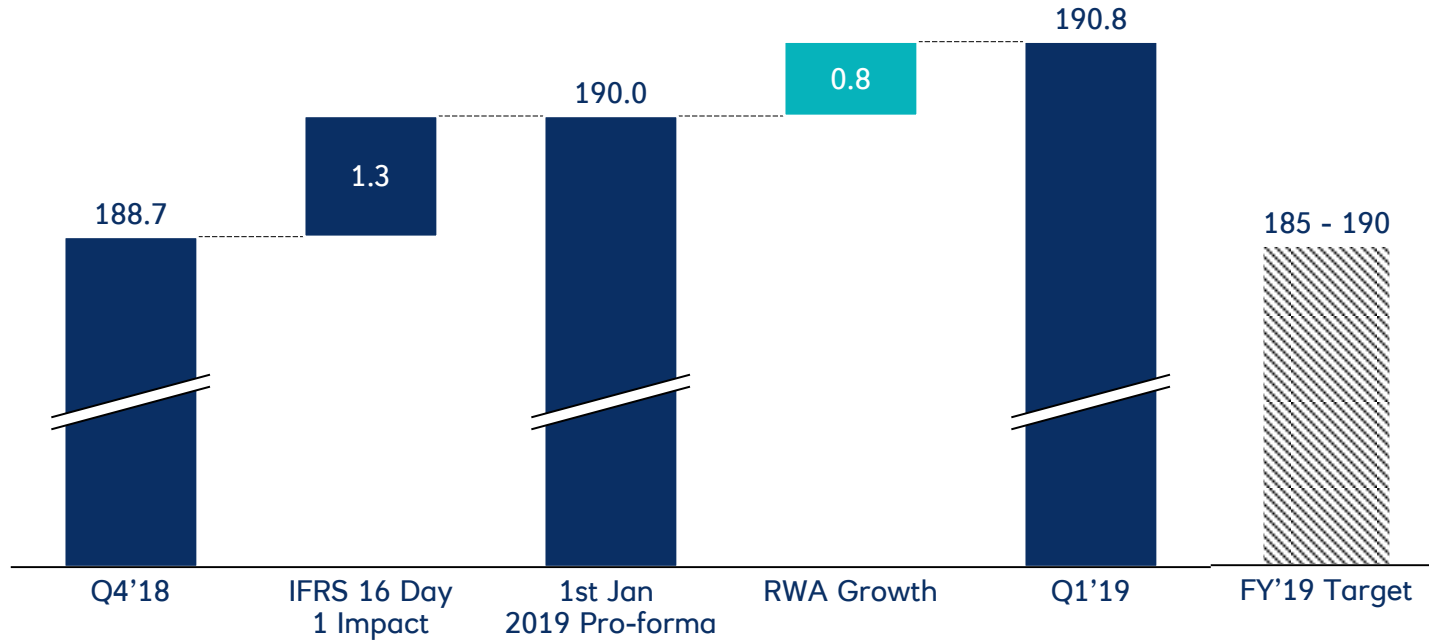
- Rate sensitivity
- Reduction in liquidity
- Asset and liability pressures
- Economic uncertainty



RWAs

Continued planned RWA reductions

RWAs (£bn)



Diluted Tangible Net Asset Value

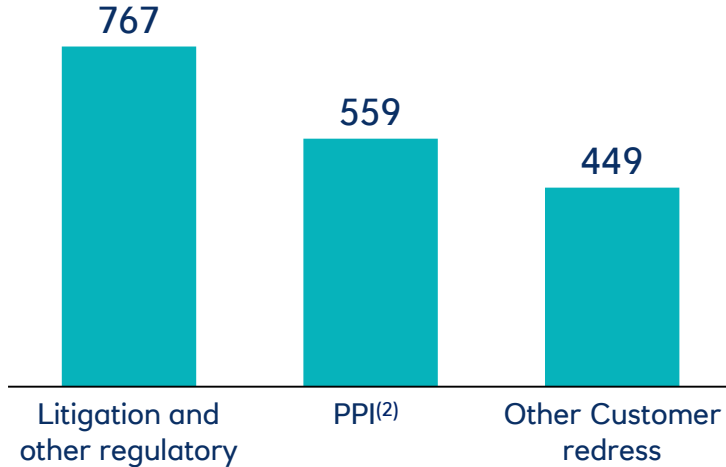


(TNAV) movements

	Amount (£m)	Shares in issue (m)	TNAV per share (p)	Amount (£m)	Diluted shares in issue (m)	Diluted TNAV per share (p)
Q4 2018 TNAV	34,566	12,049	287	34,566	12,088	286
IFRS 16 Day 1 adj	(187)	-	(2)	(187)	-	(2)
Profit for the period post tax	797	-	7	797	-	7
Less: profit to NCI / other owners	(90)	-	(1)	(90)	-	(1)
Other comprehensive Income	(175)	-	(1)	(175)	-	(1)
<i>o/w FVOCI</i>	83	-	1	83	-	1
<i>o/w Cashflow hedging gross of tax</i>	188	-	2	188	-	2
<i>o/w FX</i>	(350)	-	(3)	(350)	-	(3)
<i>o/w Remeasurement of net defined pension liability</i>	(42)	-	-	(42)	-	-
<i>o/w OCA</i>	(46)	-	-	(46)	-	-
<i>o/w Tax</i>	(8)	-	-	(8)	-	-
Less: OCI attributable to NCI / other owners	26	-	-	26	-	-
Redemption of preference shares	-	-	-	-	-	-
Proceeds of share issuance	100	41	-	100	41	-
Other movements	(75)	-	(1)	(75)	-	(1)
Q1 2019 TNAV	34,962	12,090	289	34,962	12,129	288
Change	396	41	2	396	41	2

Litigation and conduct

Q1'19 provisions (£m)



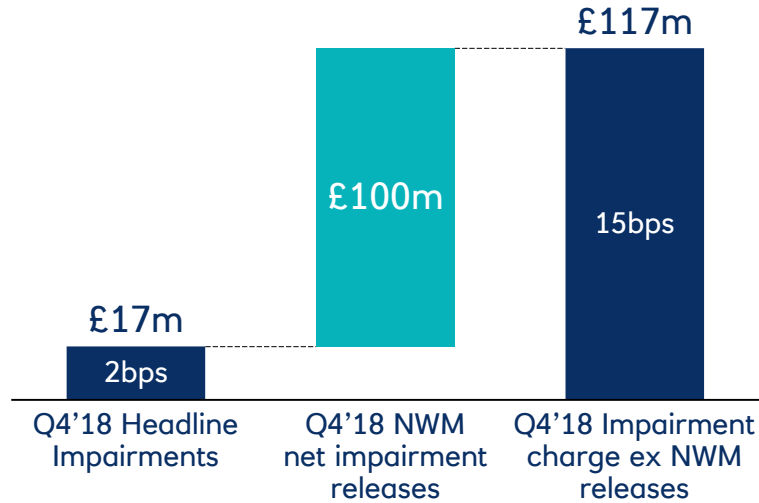
Total provisions for liabilities and charges: £2.5bn⁽¹⁾ as at Q1'19

Payment Protection Insurance

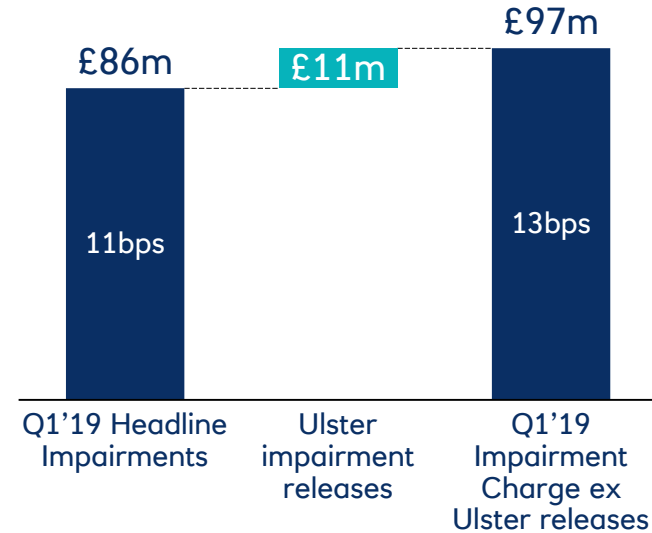
- RBS has made provisions totalling £5.3bn to date for PPI claims. £4.7bn has been utilised by 31st March 2019 of which £136m in Q1'19.
- £559m balance sheet provision remaining.

Impairments

Q4 2018 Impairment Charge



Q1 2019 Impairment Charge



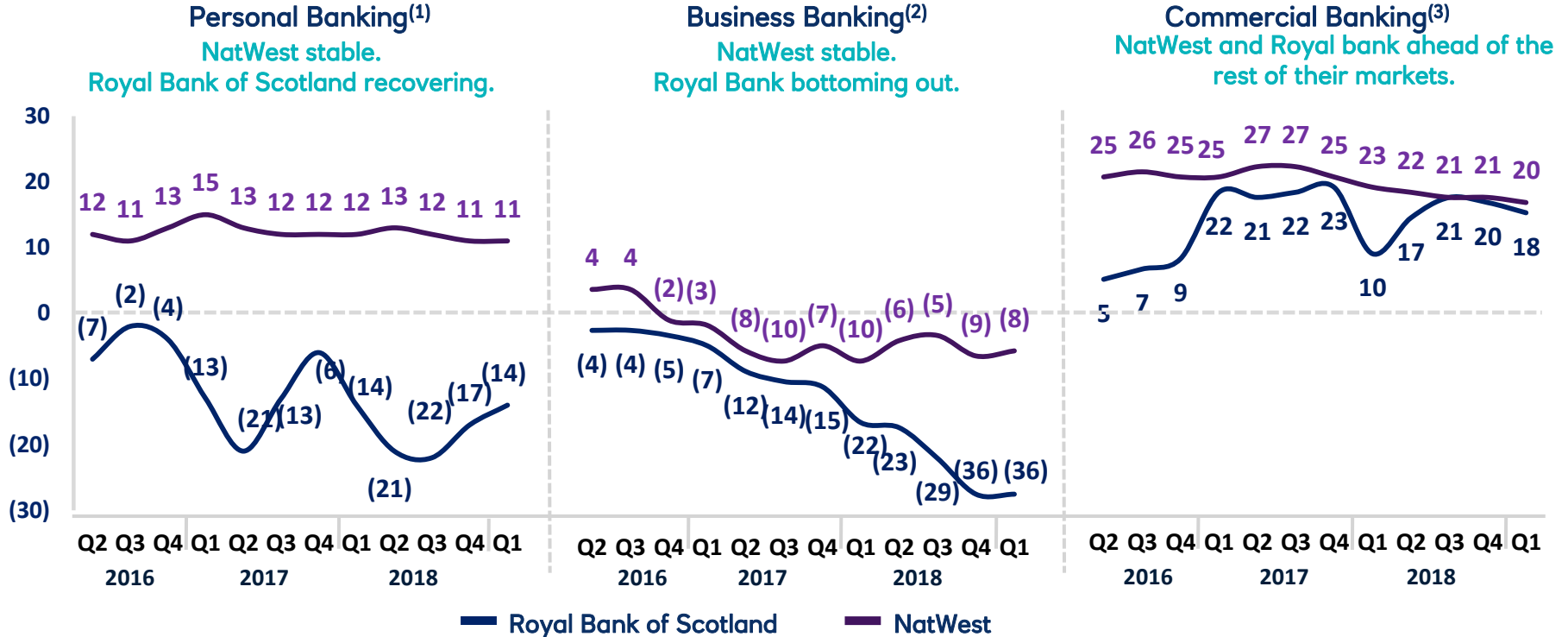
- Impairments are expected to increase in 2019 but remaining below our through the cycle loss rate assumptions of 30-40bps
- The threat from single name and sector driven events remains

Digital Dashboard

Volume of transactions (m)	Q1'18	Q1'19	Movement
Physical is reducing			
Branch Transactions ¹	24	17	↓ 29%
Cheque Usage ¹	39	28	↓ 28%
Contact centre calls	6.4	5.2	↓ 19%
Digital is increasing			
Mobile:			
Payments	41	58	↑ 41%
Users	5.7	6.6	↑ 16%
App log ins	561	612	↑ 9%
Digital sales in Personal Banking	0.32	0.37	↑ 17%
Cora conversations	0.35	1.21	↑ 860k

⁽¹⁾ Figures are Jan-Feb '18 vs. Jan-Feb '19

Net Promoter Scores across our brands



(1) NatWest and Royal Bank of Scotland data sourced from Ipsos Financial Research Survey using 6 month rolling data. Latest base sizes: 3,212 for NatWest (England & Wales); 450 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 Q1 2019. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: 1101 for NatWest (England & Wales), 447 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 Q1 2019. Based on interviews with businesses with an annual turnover over £2 million. Latest base sizes: 553 for NatWest (England & Wales), 97 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 "Risk Factors" section on pages 255 to 265 of the RBSG 2018 Annual Report and Accounts, and on pages 128 to 137 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 (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 Group's 2018 Annual Report 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; 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: the uncertainties surrounding 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 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; legal, regulatory and governmental actions and investigations; 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).

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