
H1 2017 Results

4 August 2017

Howard Davies

Chairman

Ross McEwan

Chief Executive Officer

Key messages

H1 attributable profit of £939m; Adjusted RoE 11.5%

Cost, capital and lending targets on track for fourth consecutive year






Targeting a bottom line profit in 2018, subject to final approval of the alternative remedies package for W&G, and resolving DOJ investigations

Continue to support the UK economy, growing in the markets we like within our risk appetite

All delivered through better customer service, income growth, cost reduction and RWA productivity

2020 financial targets remain - unadjusted 12%+ ROTE, sub-50% cost to income ratio, 13% CET1 target. #1 customer ambition

Good progress against our strategic priorities in H1

	Priorities	Our 2017 Goal	Our Progress in H1 2017
	Customer experience	Significantly increase NPS or maintain No.1 in chosen segments	Commercial NPS score up 4 points, to +22, NatWest Personal stable at +13, further work required to close the gap in our other franchises
	Supporting growth	Net 3% growth in PBB and CPB customer loans	Net lending in PBB and CPB up 4.1% on an annualised basis for the year to date
	Simplifying the bank	Reduce operating expenses by £750m	Reduced operating expenses by £494m, or 11.7%, excluding VAT recoveries, 66% of the total full year target
	Strength and sustainability	Maintain CET1 ratio of 13%	CET1 ratio of 14.8%, up 140 basis points from Q4 2016
	Employee engagement	Improve employee engagement	Improved scores in nearly all areas since 2016, employee engagement up 4 points in H1 2017

The bank we will become – 2020 financial targets⁽¹⁾

Our strategic plan targets sustainable returns based on...

12%+ ROTE⁽²⁾

Sub-50%
Cost:Income
Ratio

£6.4bn cost
base⁽³⁾

This will be based off...

CET1 ratio 13%

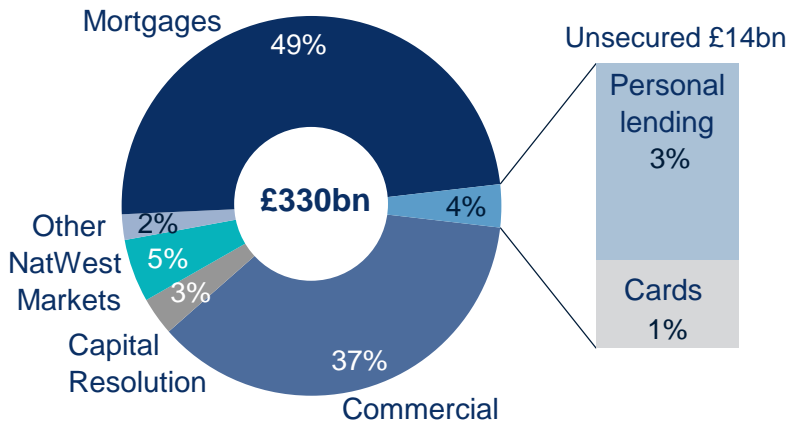
UK income
~90%

Retail &
Commercial
RWAs ~85%

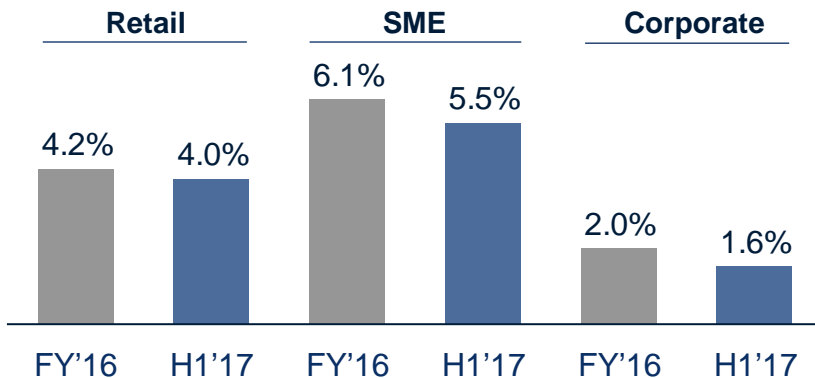
Continue to support the UK within our risk appetite

Diversified portfolio with improving risk metrics

Gross loans and advances to customers

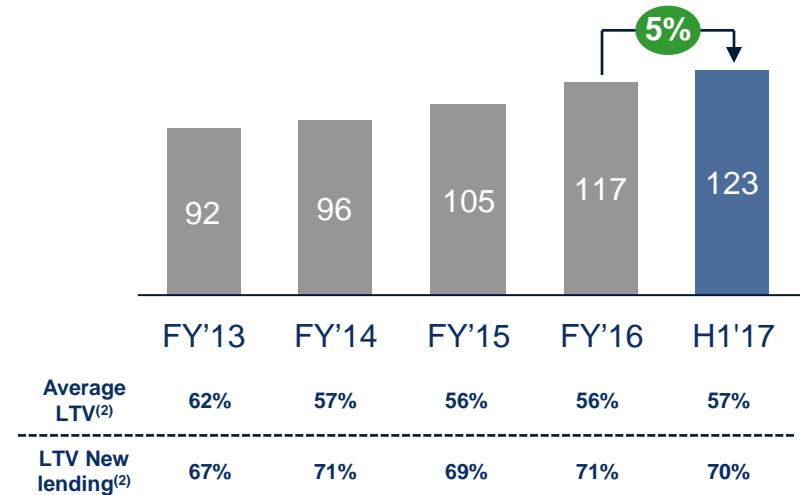


Probability of default rates

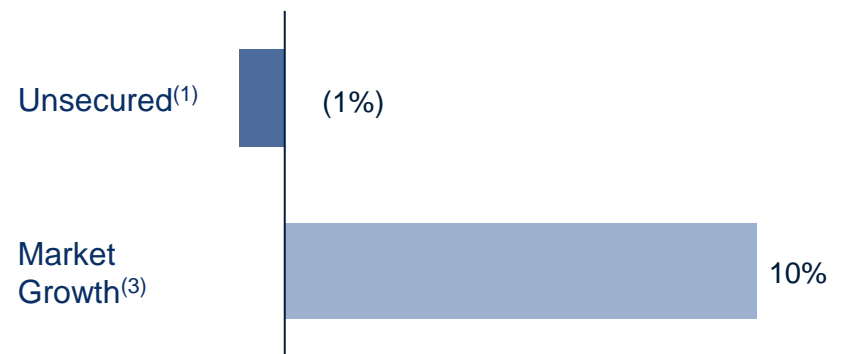


Growing in chosen markets, within risk appetite

Gross mortgage lending UK PBB (£bn)



UK PBB unsecured lending growth (H1 2017 vs H1 2016)

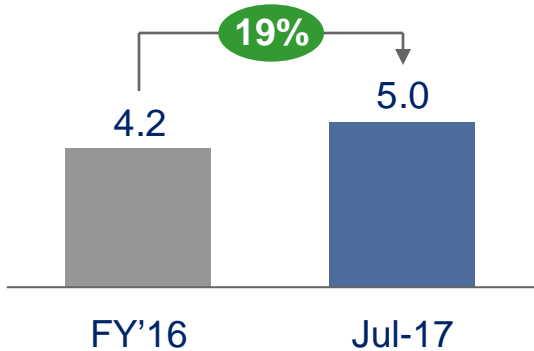


(1) UK PBB Loans and advances to customers (gross) – Personal and credit card lending (2) UKPBB Loan-to-value ratios. (3) 12 month growth rate in consumer credit to June 2017. Source: Bank of England Money and Credit – June 2017 publication

Responding to changing customer behaviour and using technology to meet their needs

Customers continue to migrate to digital channels

Active mobile users (m)



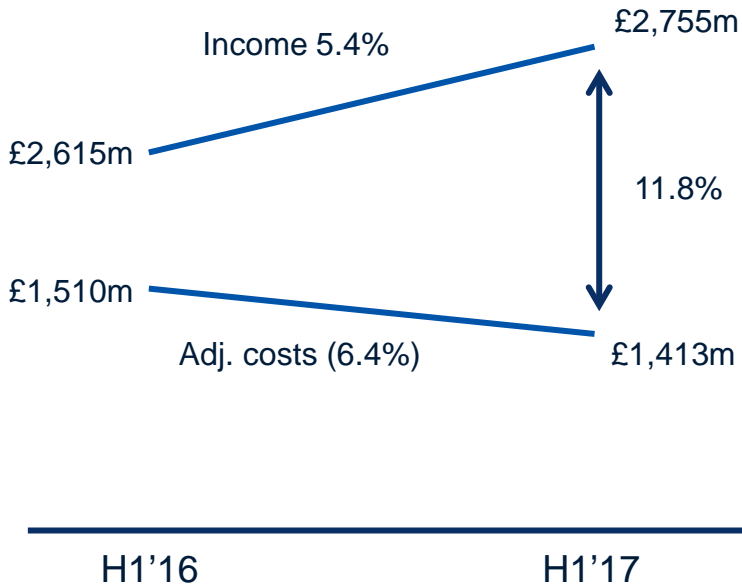
- >200k** Monthly Get Cash uses, up over four times the number in Dec-16
- 10m** Payments sent through our app in Jun-17, up 13% on Dec-16
- +50 NPS** A market leading mobile application

Customer centric innovation

Personal and Business Banking	Commercial and Private Banking	NatWest Markets
<p>AI Assist</p> <ul style="list-style-type: none"> Chatbot responding to customer queries 24 hours a day Live on rbs.co.uk, interacting with 2.6k customers per month Expect 1.3m monthly conversations when further rolled out in 2017 	<p>Bankline</p> <ul style="list-style-type: none"> Payments management platform allowing business users to monitor transactions in real time Independently rated market leading digital platform Used by 90% of active customers Processes 400,000 payments a day 	<p>Agile Markets</p> <ul style="list-style-type: none"> FX platform trading platform for commercial, corporate, and financial institutions Provides latest financial market data, analysis and post trade functionality Accessed through a web browser or a desktop application for greater flexibility

Digital transformation and simplification delivering positive JAWs in our UK PBB business

Positive operating JAWs in UK PBB



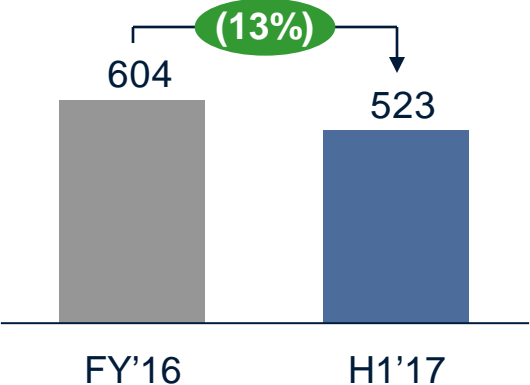
Adjusted ROE	Adjusted Cost:income
32.4%	51.3%

Mortgage process digitalised

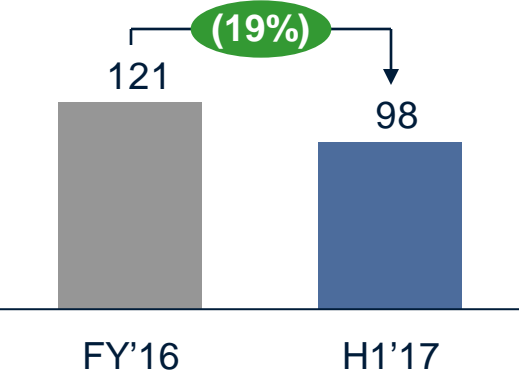
Paperless	10 days to completion	50% reduction
Efficient	~70% of customers receive offer within 14 days	Up from 58% at H1 2016
Self service	~18.6k mortgage renewals online	35% of all renewals in H1 2017
Digital	~21k digital sales	12% of all mortgages sales

Good progress simplifying the bank and reducing cost

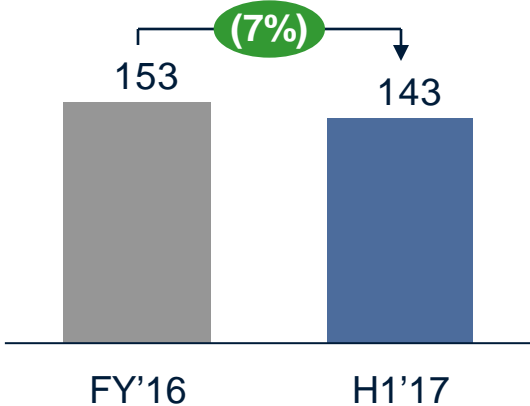
Subsidiary companies



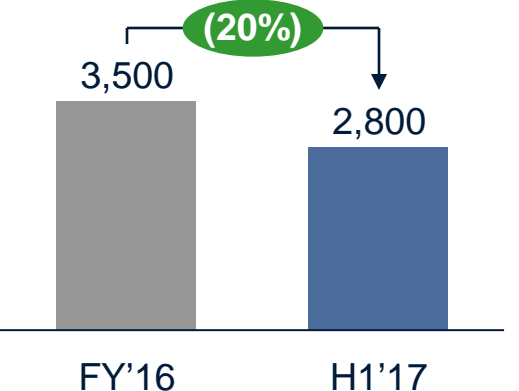
Commercial products



Property footprint⁽¹⁾



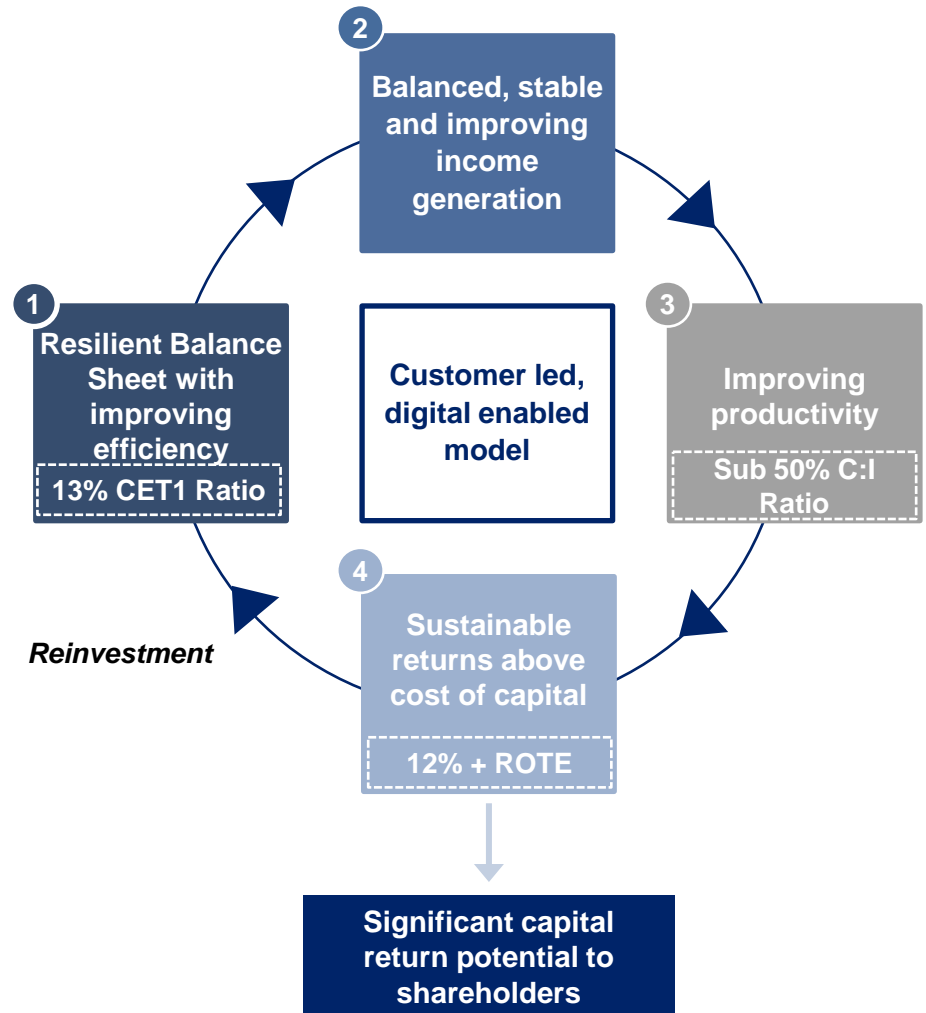
Systems



⁽¹⁾ Group property excluding branch network

Our 2020 investment case






- 2020**
- A leading UK Retail and Commercial Bank with a focussed Markets division
 - Strong brands and market positions
 - Growing in attractive chosen markets
 - Track record of cost and risk reduction
 - Improving returns and capital generation
 - Significant distribution potential



Ewen Stevenson

Chief Financial Officer

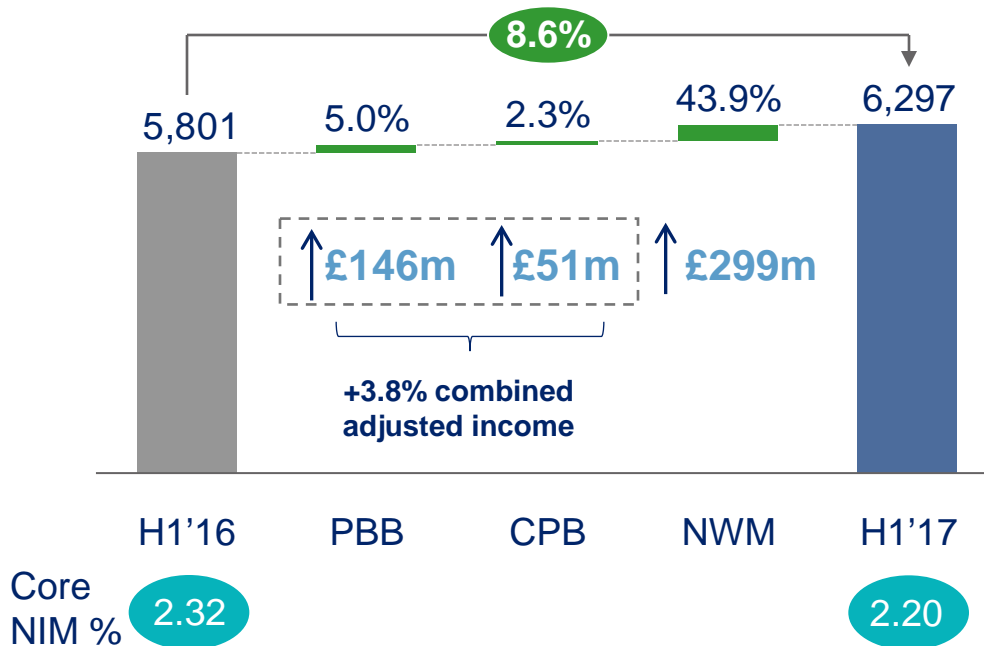
H1 2017 update on progress

Core Bank	Progress	
Grow income	<ul style="list-style-type: none"> Core adjusted income growth of 8.6% over H1 2016 On track to meet 3% lending growth FY 2017 target supported by mortgages 	
Cut costs	<ul style="list-style-type: none"> £494m additional costs out in H1 2017 On track to meet £750m reduction target for 2017 	
Reduce RWAs	<ul style="list-style-type: none"> Reduced H1 2017 gross RWAs by £8.6bn in the Core bank On track to remove £20bn of gross RWA from the Core bank through FY 2018 CET1 ratio up 70bps Q/Q to 14.8% vs. 13% target 	
Legacy		
Capital Resolution run-down	<ul style="list-style-type: none"> Further £7.9bn RWA reduction in H1 2017; £26.6bn remaining Capital Resolution quarterly cost run rate of £64m, is £112m lower than Q4 2016 and £119m lower than Q2 2016 	
Settle Conduct & Litigation	<ul style="list-style-type: none"> £176m of additional provisions for the recent FHFA settlement and 2008 rights issue litigation RBS continues to cooperate with the DoJ in its civil and criminal investigations of RMBS matters and several state attorneys general in their investigations, expect further material settlement costs 	 Pending
Agree solution for W&G	<ul style="list-style-type: none"> Agreed an alternative remedies package subject to approval by the EC College of Commissioners 	Pending

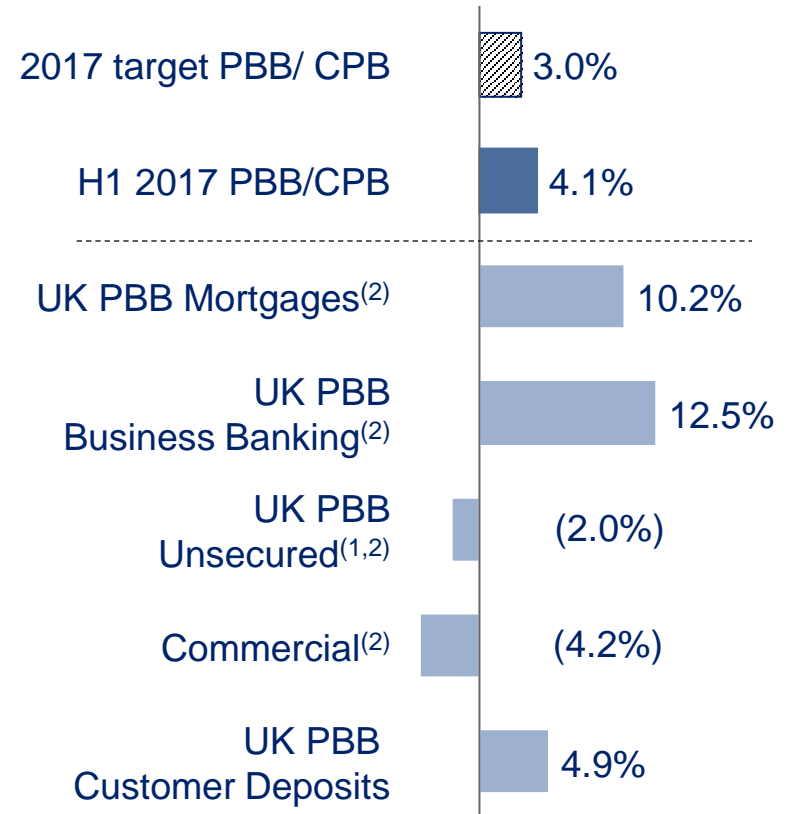
On track to deliver 2017 and 2020 financial targets

Core income growth H1 2017 vs. H1 2016

Adjusted income (£m)



H1 annualised balance sheet growth

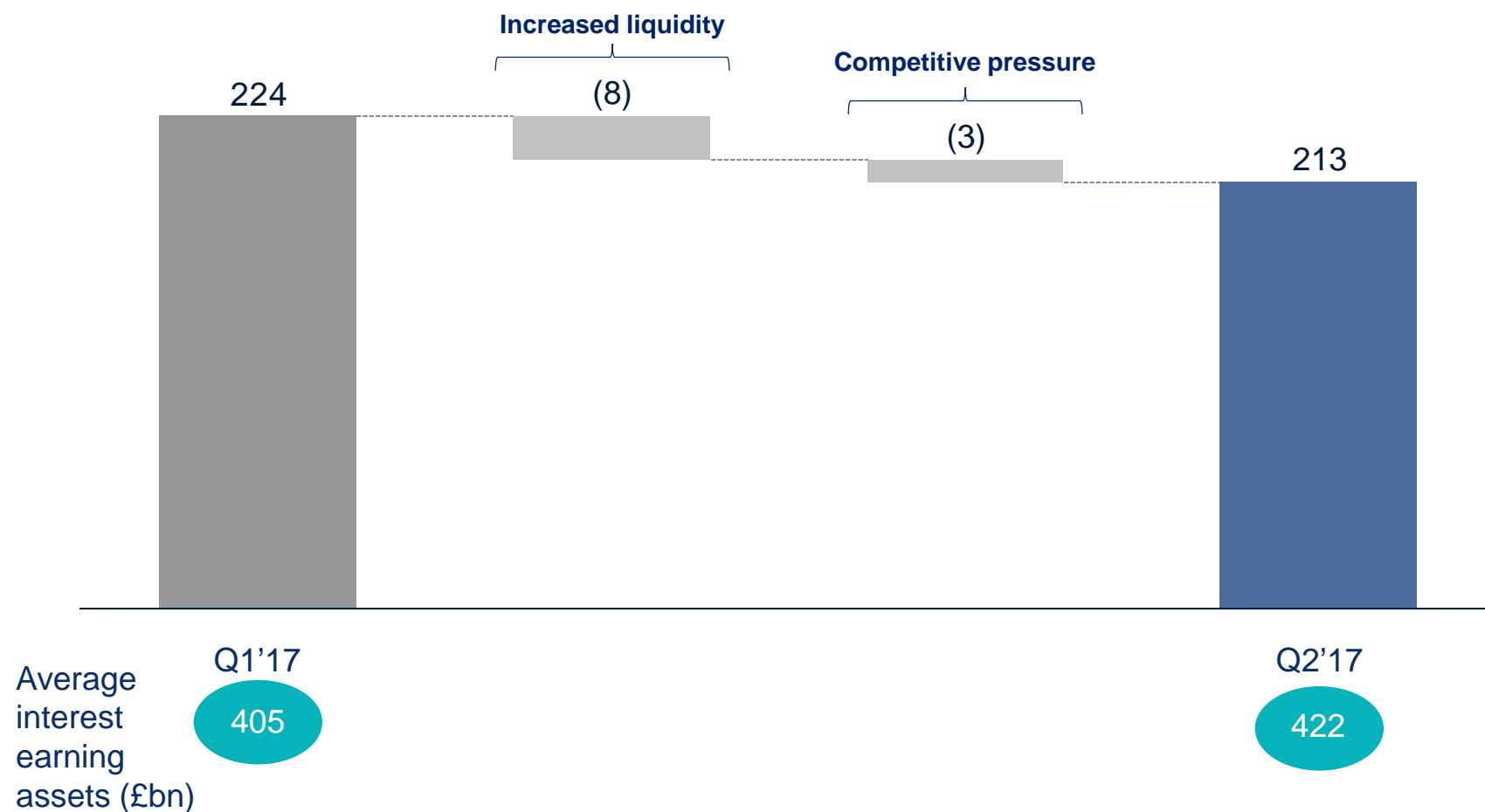


- 84% of our adjusted income in H1 in the Core Bank from PBB & CPB income flows

⁽¹⁾Unsecured consists of personal advances and cards ⁽²⁾ Loan growth detail shown gross of provisions, overall target shown net

NIM progression

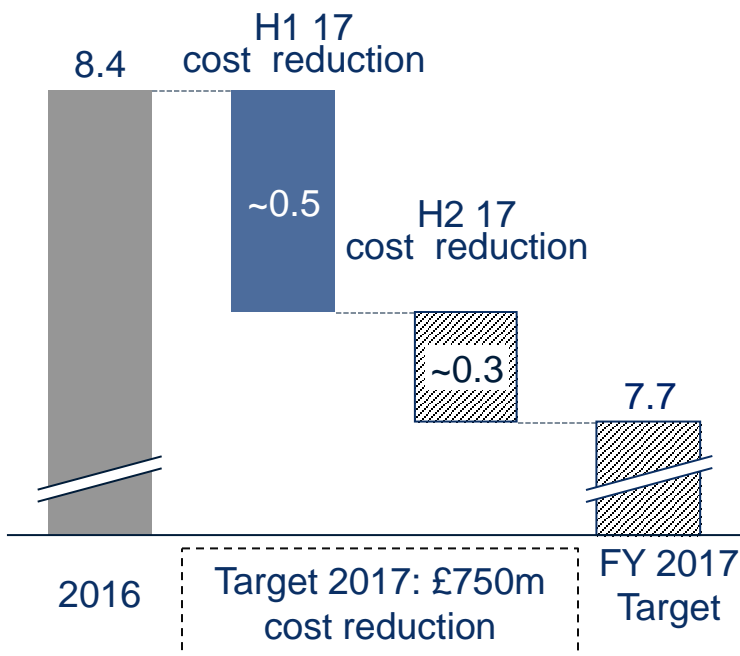
Net interest margin ('NIM'), bps



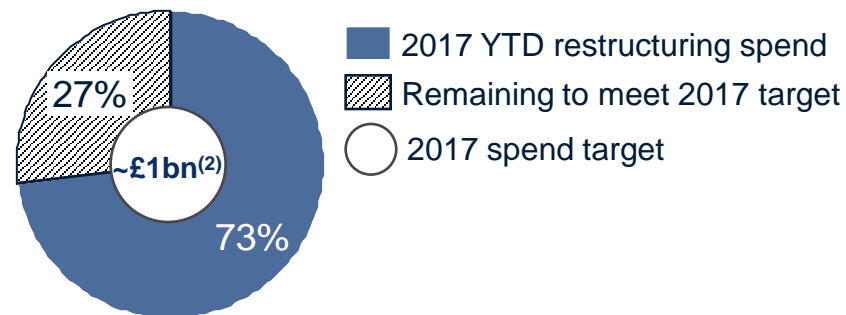
- The majority of the NIM decline in Q2 was driven by a conscious build-up in liquidity

Adjusted operating cost progress to 2017 target

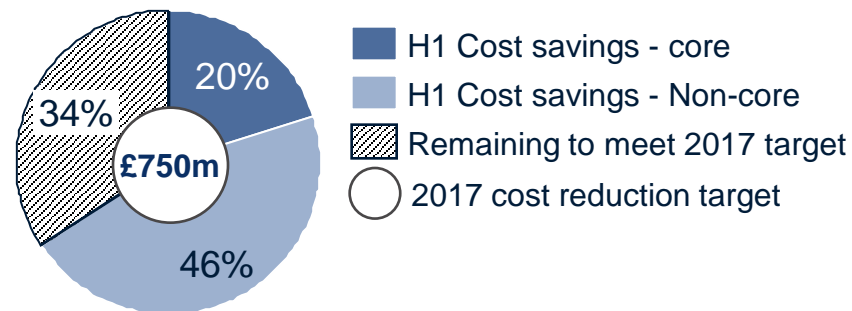
Adjusted Operating Costs⁽¹⁾ (£bn)



Spend vs. restructuring cost guidance



Source of adjusted cost reductions to date



- £494m cost saving for H1 2017
- On track to meet £750m reduction for 2017, and all-in £6.4bn^(3,4) cost base in FY 2020
- 31% of the H1 cost reduction was in the core bank, Q2 59% in core
- We expect core bank cost savings to represent around half for the full year

⁽¹⁾ Excluding VAT recoveries ⁽²⁾ Excluding restructuring costs associated with the State Aid obligations relating to Williams & Glyn ⁽³⁾ The targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in this document and in the "Risk Factors" on pages 432 to 463 of the Annual Report and Accounts 2016. These statements constitute forward looking statements, please see Forward Looking Statements on pages 467 and 468 of the 2016 annual report. ⁽⁴⁾ £6.4bn 2020 target is unadjusted total costs, this includes conduct and litigation and restructuring costs

Progress made on £20bn gross RWA reduction across PBB, CPB and NWM

H1 2017 change in RWA (£bn)

Group RWAs FY 2016	£228.2bn
Core gross RWA reduction	(£8.6bn)
<i>o/w PBB</i>	<i>(£0.7bn)</i>
<i>o/w CPB</i>	<i>(£4.4bn)</i>
<i>o/w NWM</i>	<i>(£3.5bn)</i>
Core volume growth	£3.2bn
Core net RWA reduction	(£5.4bn)
Capital Resolution	(£7.9bn)
Other	£0.5bn
Group RWAs Q2 2017	£215.4bn

- RWAs down by £12.8bn in H1; Q2 reduction of £6.3bn
- Core bank gross RWAs reduced by £8.6bn in H1; On track to achieve £20bn reduction by Q4 2018
- Capital Resolution RWAs down to £19.2bn, excluding Alawwal⁽¹⁾, expect to be at the lower end of our £15bn-£20bn guidance ex Alawwal

⁽¹⁾ Alawwal RWAs £7.4bn as at Q2 2017

H1 2017 results by business



(£bn)	Core Franchises							Total Other				Total RBS
	UK PBB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Total Core Franchises	Capital Resolution	W&G ⁽¹⁾	Central items & other ⁽²⁾	Total Other	
Adj. Income⁽³⁾	2.8	0.3	1.8	0.3	0.2	1.0	6.3	(0.1)	0.4	0.2	0.5	6.8
Adj. Operating expenses ⁽⁴⁾	(1.4)	(0.2)	(0.9)	(0.2)	(0.1)	(0.6)	(3.5)	(0.1)	(0.2)	0.1	(0.2)	(3.7)
Impairment (losses) / releases	(0.1)	0.0	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	0.1	(0.0)	(0.0)	0.1	(0.1)
Adj. operating profit^(3,4)	1.3	0.1	0.8	0.1	0.1	0.3	2.7	(0.1)	0.2	0.3	0.4	3.1
Funded Assets ⁽⁵⁾	161.6	24.8	151.9	19.6	24.7	117.0	499.6	24.7	26.0	38.8	89.5	589.1
Net L&A to Customers	138.5	19.5	98.1	12.8	8.8	17.7	295.4	10.1	20.4	0.2	30.7	326.1
Customer Deposits	149.8	16.9	100.9	26.1	25.5	8.1	327.3	7.2	24.9	0.5	32.6	359.9
RWAs	32.9	18.0	76.2	9.0	9.4	31.7	177.2	26.6	9.4	2.2	38.2	215.4
LDR	92%	115%	97%	49%	35%	n.m.	90%	n.m.	82%	n.m.	94%	91%
Adj. RoE (%)^(3,4,5)	32%	7%	10%	9%	14%	7%	(14%)	n.m.	n.m.	n.m.	n.m.	11.5%
Adj. Cost : Income ratio (%) ^(3,4)	51%	73%	48%	68%	46%	65%	54%	n.m.	38%	n.m.	n.m.	53%

⁽¹⁾Williams and Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK. During the period presented W&G has not operated as a separate legal entity ⁽²⁾Central items include unallocated transactions which principally comprise volatile items under IFRS ⁽³⁾Excluding own credit adjustments, gain on redemption of own debt and strategic disposals ⁽⁴⁾Excluding restructuring costs and litigation and conduct costs ⁽⁵⁾RBS's CET 1 target is 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 Rol - 11% prior to Q1 2017), 11% (Commercial Banking), 14% (Private Banking - 15% prior to Q1 2017), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs) *Totals may not cast due to rounding




Day 1 impact expected to be modestly capital accretive, estimated at ~3 pence to TNAV and ~30bps to CET1 ratio

Uplift in provisions estimated to be in the order of £0.5bn. CET1 impact neutral as fully offset by reduced expected loss deduction

£1.0bn MTM adjustment on certain loan portfolios to be reclassified to Fair Value as a result of IFRS9

Strategic developments

Legacy issues	Comments
Capital Resolution	Wind up expected by year end 2017; expect to stop separately reporting beyond Q3
Alawwal Bank	In ongoing discussions with a Saudi merger partner
Litigation	FHFA settled Rights Issue settled
W&G	Agreed alternative remedies package now subject to approval by the EC College of Commissioners

Strategic successes	Comments
MREL	Issuance £3.6bn in H1, total issuance now £7.8bn 
Distributable Reserves	HoldCo capital reorganisation in Q2, £38.1bn of distributable reserves at Q2 
Moody's	RBSG upgraded to investment grade for Senior HoldCo debt 

Clearing up the vast majority of legacy issues has created a much clearer investment case

Core bank - income up, costs down, less capital
with a corresponding step change in operating performance

Legacy – Continuing to make good progress; no update on DoJ / RMBS

Consecutive quarterly bottom-line profits, over £900m in H1 of attributable profits

On track to meet all 2017 and 2020 financial targets

Q&A

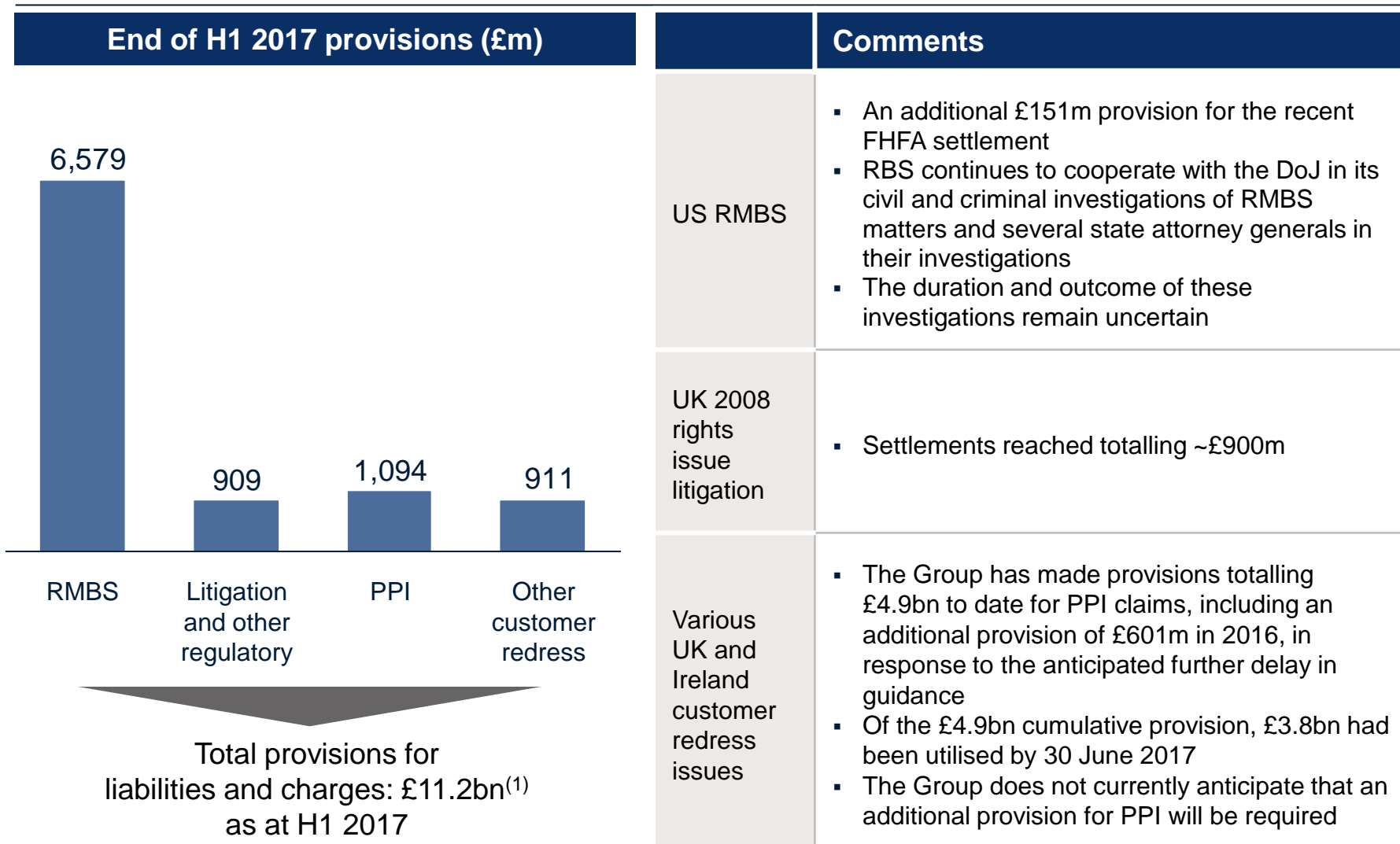
Appendix

Notable items

(£m)	Q2 2017	Q1 2017	Q4 2016	Q2 2016	H1 2017	H1 2016
Total Income	3,707	3,212	3,216	3,000	6,919	6,064
Own Credit Adjustments	(44)	(29)	(114)	194	(73)	450
Gain/(Loss) on redemption of own debt	(9)	2	1	(130)	(7)	(130)
Strategic disposals	156	-	-	201	156	195
o/w Visa Gain	-	-	-	246	-	246
o/w Vocalink Gain	156	-	-	-	156	-
o/w Cap Res	-	-	-	(45)	-	(51)
Adjusted Income	3,604	3,239	3,329	2,735	6,843	5,549
IFRS volatility in Central items	172	(18)	308	(312)	154	(668)
Property	-	(105)	-	-	(105)	-
Funding value adjustments in Capital Resolution	-	-	-	(220)	-	(330)
Madoff recovery in Capital Resolution	-	-	-	-	-	109
FX gain/(loss) in Central items	(56)	(52)	140	201	(108)	253
FX reserve gain in Central items	-	-	-	-	-	-
Capital Resolution (Disposal gain/(losses) in adjusted income)	(53)	(50)	(325)	(102)	(103)	(104)
Total Expenses	(2,399)	(2,453)	(7,354)	(3,509)	(4,852)	(5,929)
Restructuring	(213)	(577)	(1,007)	(392)	(790)	(630)
o/w Williams & Glyn	(46)	(12)	(810)	(187)	(58)	(345)
o/w NV pension settlement	-	(73)	-	-	(73)	-
o/w Property	18	(235)	-	-	(217)	-
Litigation & Conduct	(342)	(54)	(4,128)	(1,284)	(396)	(1,315)
o/w US RMBS	(222) ⁽¹⁾	-	(3,051)	-	(222)	-
o/w GRG	-	-	(400)	-	-	-
o/w PPI	-	-	(201)	(400)	-	(400)
o/w Ulster mortgage tracker	-	-	(77)	(96)	-	(96)
Adjusted Expenses	(1,844)	(1,822)	(2,219)	(1,833)	(3,666)	(3,984)
o/w VAT recovery in Centre	-	51	-	227	51	227
Impairments	(70)	(46)	75	(186)	(116)	(409)
Capital Resolution	33	45	130	(67)	78	(263)
o/w Shipping	17	4	30	14	21	(264)
Ulster Bank Rol	(13)	24	47	14	11	27

(1) Of which £151m FHFA

Litigation and conduct



⁽¹⁾ Includes 'Other' provisions as per Note 3 of the Interim Results 2017

Tangible Net Asset Value (TNAV) movements

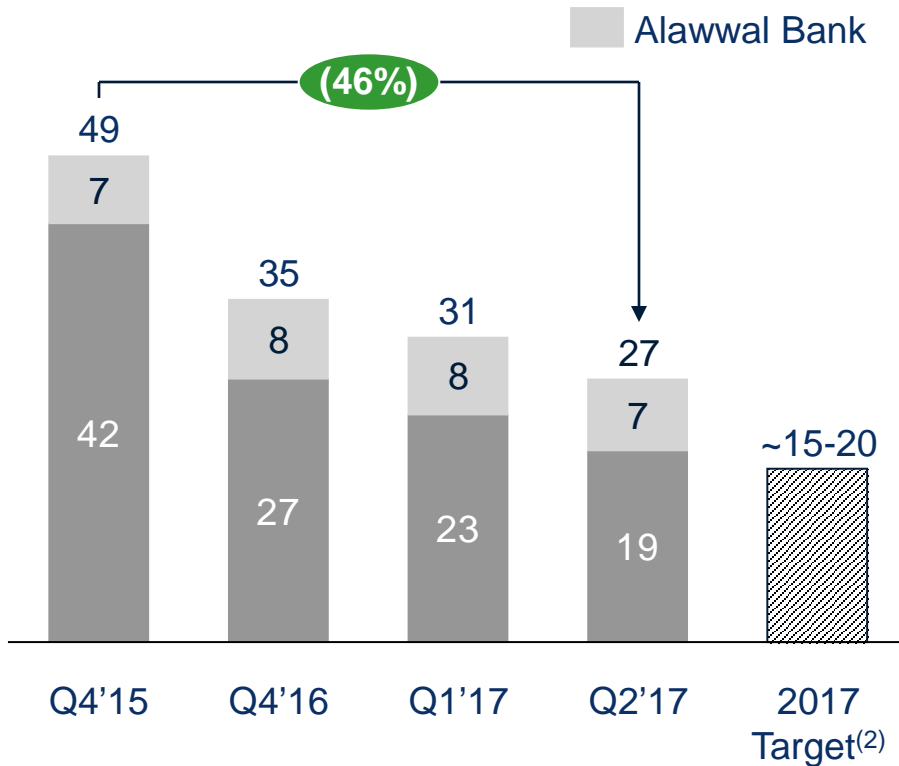


	£m	Shares in issue (m)	TNAV per share
Q1 2017 TNAV	35,186	11,842	297p
Profit for the period post tax ⁽¹⁾	846		7p
Less: profit to NCI / other owners	(158)		(1p)
Other comprehensive Income	(270)		(2p)
<i>o/w AFS</i>	(31)		-
<i>o/w Cashflow hedging gross of tax</i>	(422)		(4p)
<i>o/w FX</i>	109		1p
<i>o/w Remeasurement of net defined pension liability</i>	(5)		-
<i>o/w OCA</i>	(57)		-
<i>o/w Tax</i>	136		1p
Less: OCI attributable to NCI / other owners	(21)		-
Proceeds of share issuance	80	34	(1p)
Other movements ⁽²⁾	19	-	-
Q2 2017 TNAV	35,682	11,876	300p

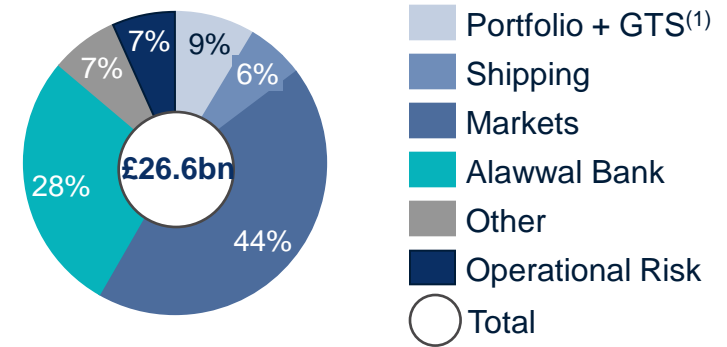
⁽¹⁾ Profit for the period is pre non controlling interests and other owners dividends and excludes write-down of goodwill and other intangible assets. ⁽²⁾ Other reserve movements including intangibles

Continued reduction of Capital Resolution RWAs

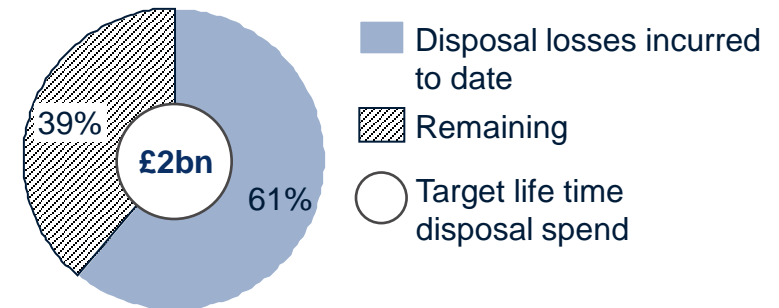
RWAs (£bn)



Q2 2017 split of RWAs



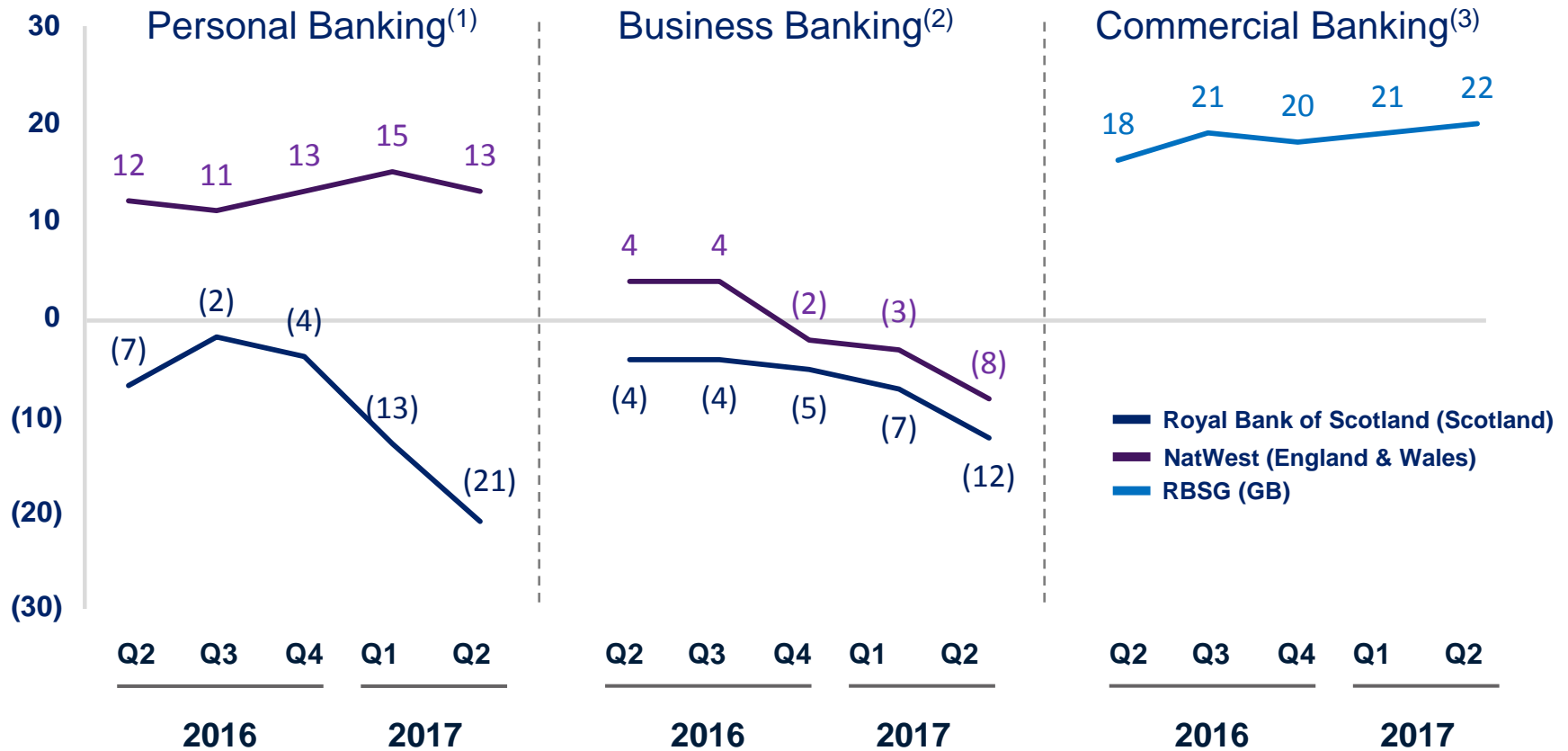
Disposal spend vs. target



- Expect to wind up Capital Resolution by year end; Q3 will be the last quarter of separate reporting, now expect FY 2017 RWAs target to be at the lower end of our previous guidance of £15-20bn (ex Alawwal)
- Continue to anticipate £2bn lifetime disposal losses; only £1.2bn incurred to date, expect H2 to be substantially higher, at around £0.7bn

⁽¹⁾ Loan portfolios include APAC, EMEA, Americas and Legacy ⁽²⁾ 2017 target excludes the disposal of Alawwal Bank, £7.4bn RWAs at Q2 2017

Net Promoter Scores across our core businesses



(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3365) Royal Bank of Scotland (Scotland) (510). 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?"

(2) Source: Charterhouse Research Business Banking Survey, YE Q2 2017. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: NatWest England & Wales (1228), RBS Scotland (401). 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, YE Q2 2017. Commercial £2m+ in GB (RBSG sample size, excluding don't knows: 913). Question: "How likely would you be to recommend (bank)". 28 Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain

Fixed Income Investor Presentation

H1 2017 Results
4 August 2017

Core credit messages

Diversified income streams

Three core franchises generating stable and attractive returns

Targeted growth

Well progressed on legacy clean-up and improving balance sheet resilience

2020 Target Operating Profile

12+% ROTE

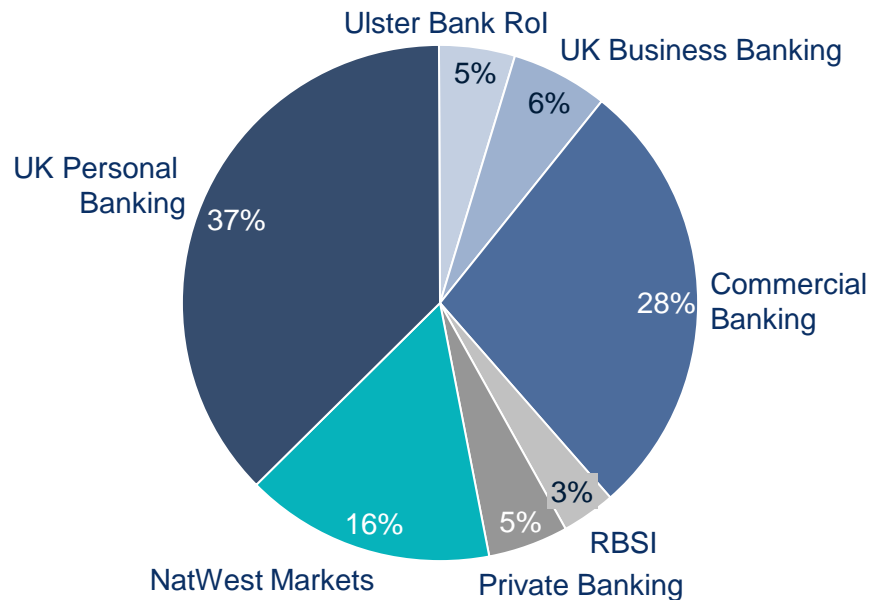
Sub-50% C:I
ratio

13% CET1
ratio

~85% RWAs in
PBB & CPB

~90% Income
from UK

H1 2017 Adjusted income contribution (%)



Strategic plan targets higher quality of earnings in future

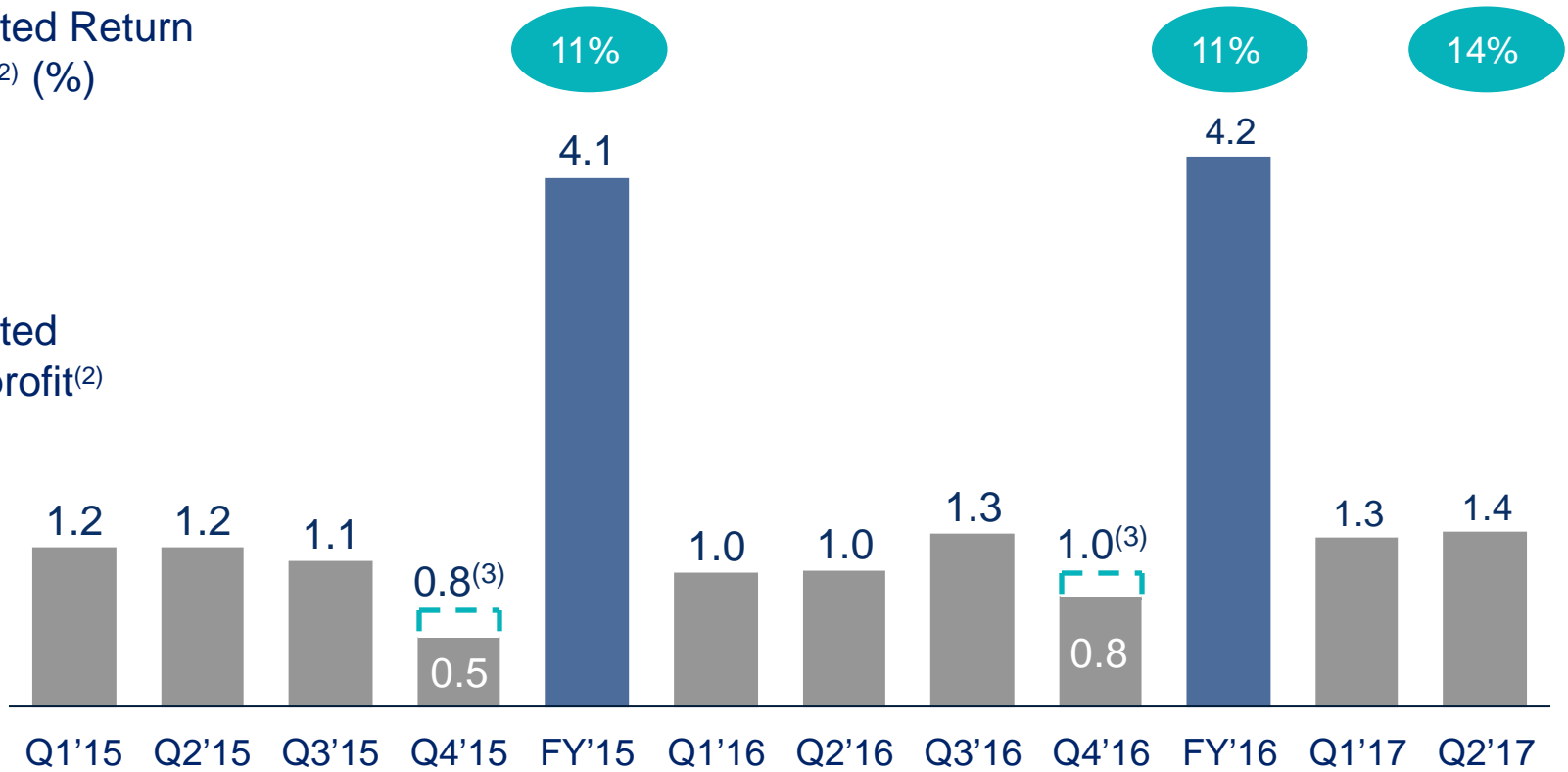
- Focus on customer loyalty, conducting more business with our most valuable customers
- Targeted growth
- Simplification and digital driving a better customer experience at a lower cost
- Low-risk profile and actions to improve capital efficiency



Three core businesses generating stable and attractive returns

Core Adjusted Return on Equity^(1,2) (%)

Core Adjusted operating profit⁽²⁾ (£bn)

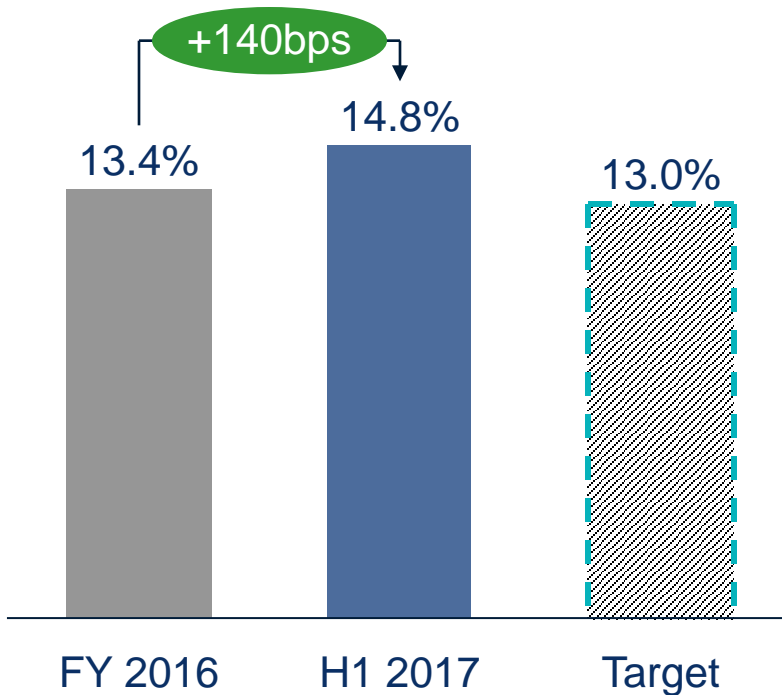


- Core businesses averaged >£1bn operating profit for last 10 quarters

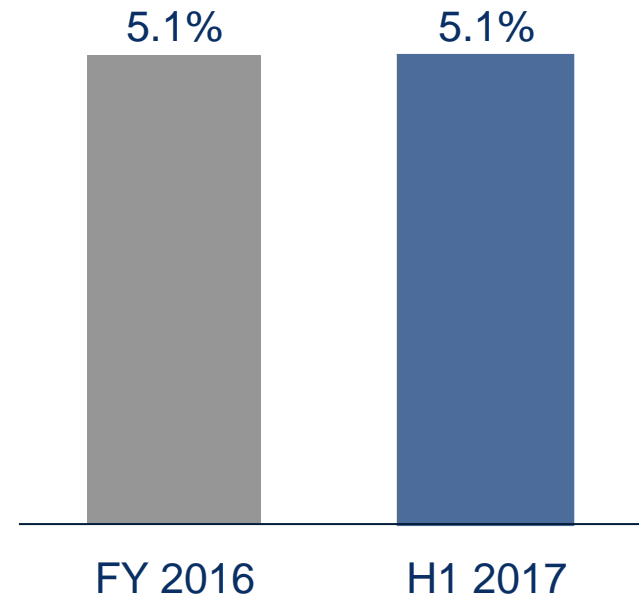
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CET1 and leverage ratios

CET1 Ratio



CRR Leverage Ratio



- CET1 increased 140bps despite £1.2bn of restructuring, conduct & litigation costs
- Leverage ratio maintained
- Increasing clarity on capital generation as legacy issues are resolved

Solid capital and liquidity metrics maintained, continued focus on balance sheet optimisation

Capital reorganisation complete, distributable reserves up £30bn

Good progress against issuance plans

Delivering on structural reform – ring-fencing plans entering execution phase

Strategic progress reflected in rating agency upgrade and market pricing

Solid capital and liquidity metrics maintained

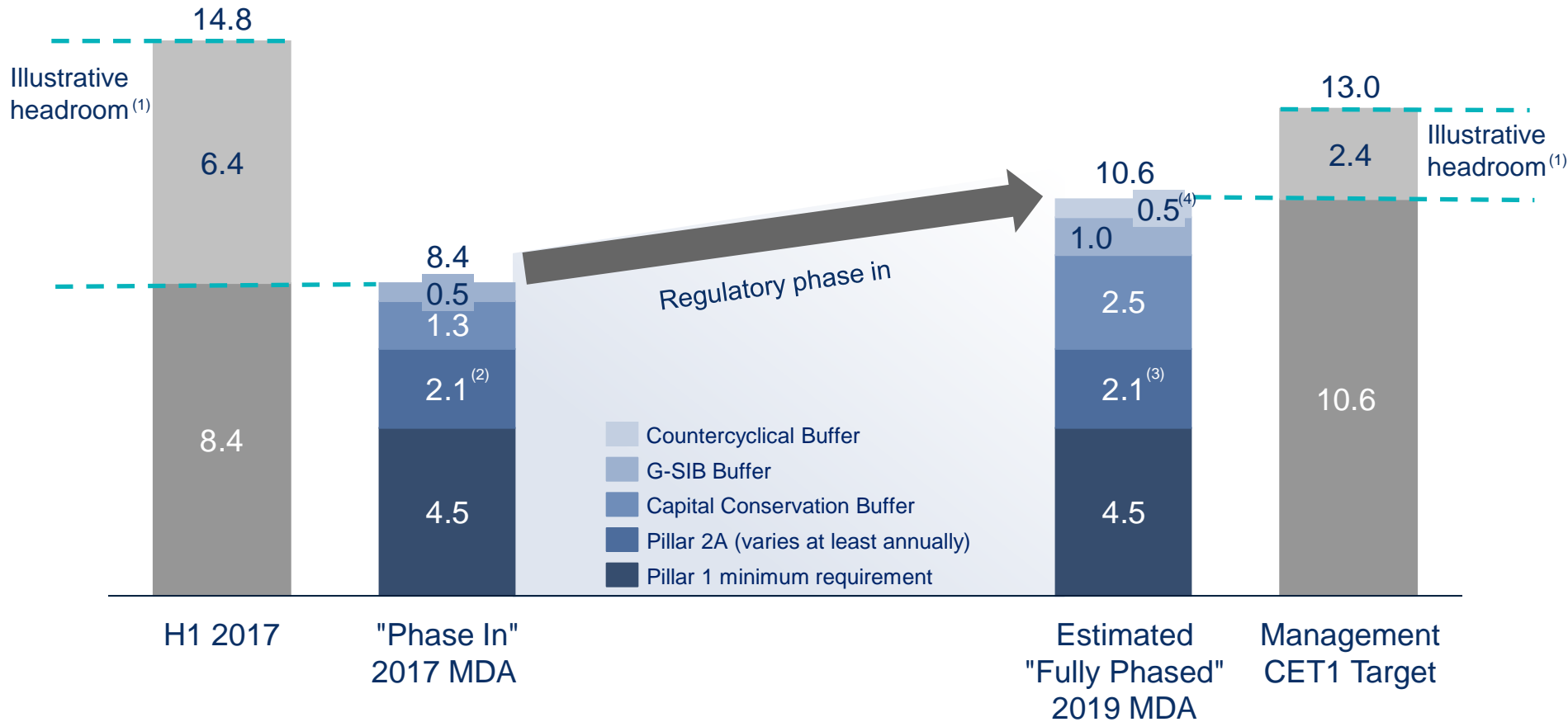
	H1 2017	FY 2016
Loan : deposit ratio	91%	91%
Short-term wholesale funding	£18bn	£14bn
Liquidity coverage ratio	145% ⁽¹⁾	123%
Net stable funding ratio	123%	121%
Common equity tier 1 ratio	14.8%	13.4%
CRR Leverage ratio	5.1%	5.1%
Loss Absorbing Capital ratio ⁽²⁾	25.5%	24.9%

(1) The LCR of 145% at 30 June 2017 excludes the impact of the litigation settlement with the FHFA in respect of claims relating to RBS issuance and underwriting of RMBS in the US, as announced on 12 July 2017. The estimated impact of the settlement on the LCR is a 6% reduction to 139%. (2) For further detail please see slide 22.

MDA phase-in and assessment of appropriate buffers

Target CET1 ratio versus maximum distributable amount (“MDA”), %

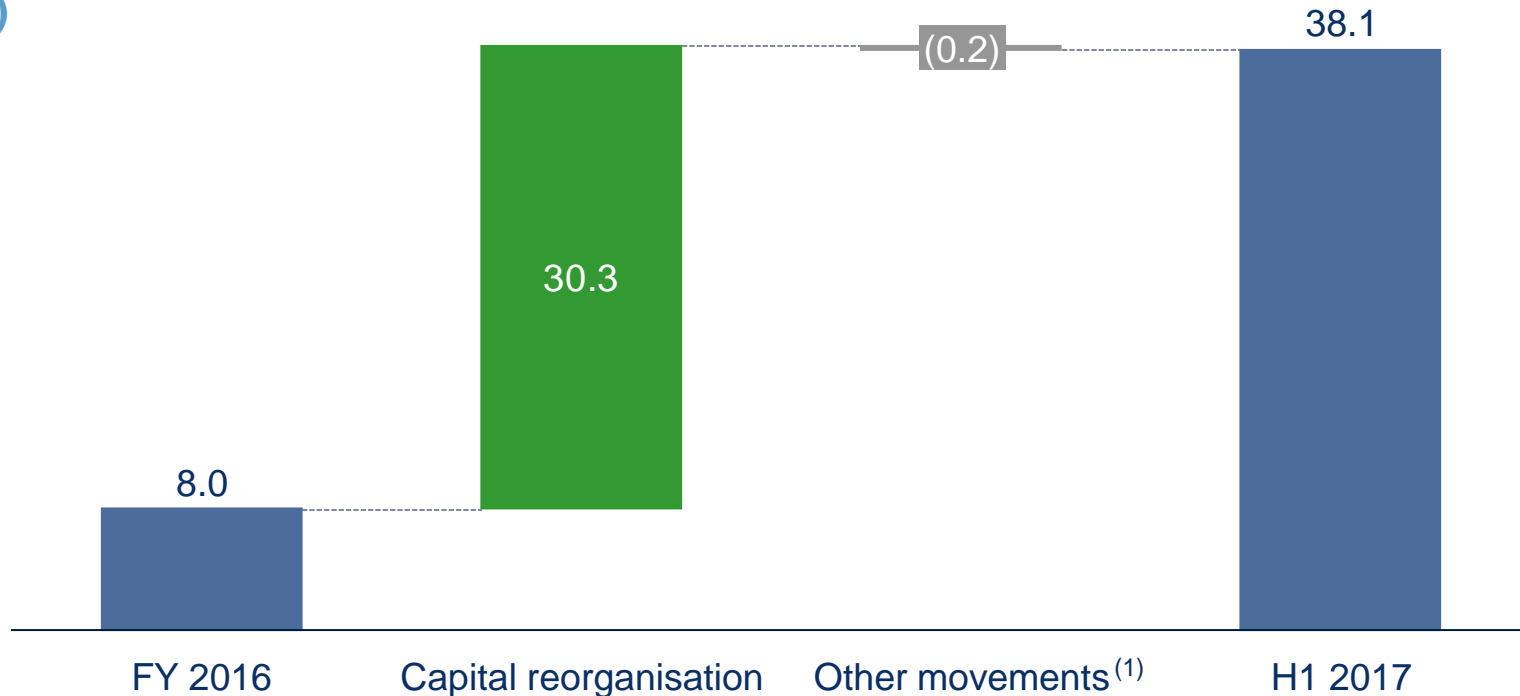
Illustration, based on assumption of static regulatory capital requirements⁽³⁾



(1) 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. (2) RBS's Pillar 2A requirement was 3.8% of RWAs as at 31 December 2016. 56% of the total Pillar 2A requirement, must be met from CET1 capital. (3) 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. (4) 0.5% Countercyclical Buffer introduced from June 2018, expected to increase to 1.0% from November 2018.

Capital reorganisation successfully completed and increased available distributable reserves

2017 evolution in RBSG (HoldCo) distributable reserves (£bn)



- H1 2017 RBSG (HoldCo) distributable reserves £38.1bn vs £8.0bn at FY 2016
- Capital reduction executed to reclassify approximately £25bn share premium and £5bn capital redemption reserve as distributable reserves

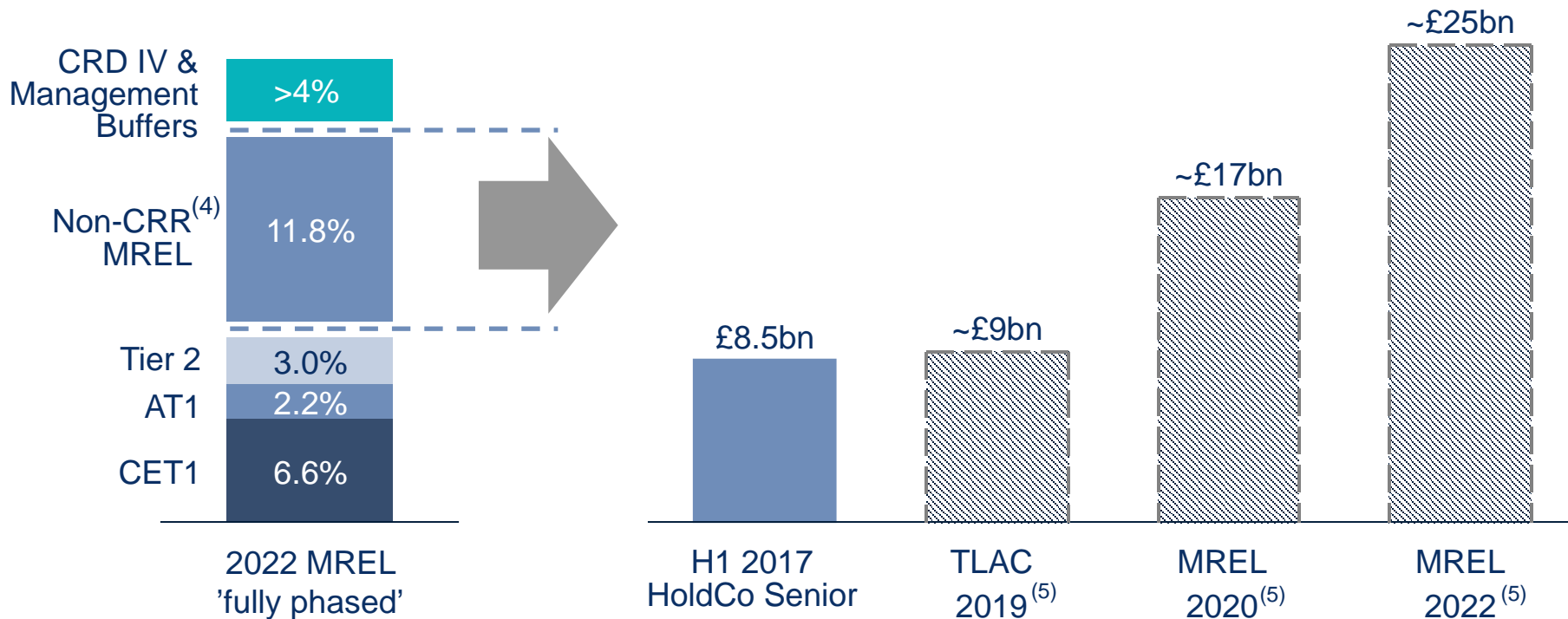
On track to meet future MREL requirements

Future LAC requirement⁽¹⁾

Based on BoE May 2017 guidance

Progress toward future non-CRR MREL⁽⁴⁾ needs

Based on current £215bn RWA and static regulatory capital requirements⁽³⁾



- PRA H1 2017 guidance on MREL requirement in line with expectations
- H1 2017 Loss Absorbing Capital ratio 25.5%, including CET1 and other legacy securities⁽⁶⁾, versus 27.8% BoE 2022 guidance

(1) LAC: Loss Absorbing Capital, comprising total MREL and CRDIV buffers. (2) Minimum requirement for own funds and eligible liabilities. (3) Illustrative only, both RWA and future capital requirements subject to change. (4) Non-CRR MREL = Loss Absorbing Capital not required to be met by CRDIV compliant regulatory capital. (5) Based on TLAC 1 Jan 2019 = 16% RWA; MREL 1 Jan 2020 = 2x Pillar 1 and 1x Pillar 2A, MREL 1 Jan 2022 = 2x Pillar 1 and 2x Pillar 2A. Pillar 2A requirement held constant over the period for illustration purposes. For further information on TLAC and MREL, including associated leverage requirements, please refer to 'Capital sufficiency' disclosure in the 2016 Annual Report & Accounts. (6) For further information please see 'Loss Absorbing Capital' disclosure in H1 2017 Interim Results and Appendix Slide 23.

Managing legacy securities

Manage stack for value, balancing factors including: current & future regulatory value; relative funding cost; and Rating Agency considerations

Not called equity accounted USD7.640% and EUR7.0916% (nominal value ~£0.8bn)⁽¹⁾

- Retained for transitional Tier 1 and rating agency contribution
- ~£370m CET1 impact from FX translation on redemption not economic versus relative coupon cost (\$/€LIBOR plus ~2.3%)

Intend to call equity accounted USD6.990% and CAD6.666% securities (~£0.4bn)⁽²⁾

- ~£260m CET1 impact on redemption from FX translation and deferred coupon⁽³⁾
- No transitional Tier 1 or future MREL contribution

Intend to redeem seven debt accounted Tier 1 securities (~£1.5bn)⁽⁴⁾ over the next few months, in line with their relevant terms

- No CET1 impact on redemption
- Provides coupon savings ranging up to ~9%

Good progress against simple issuance needs

2017 Issuance Plan

Issuance focussed on MREL build:

- Target £3-5bn equivalent Senior HoldCo
- No active need for AT1
- No active need for Tier 2

H1 Progress

- Issued £3.6bn equivalent MREL eligible Senior HoldCo

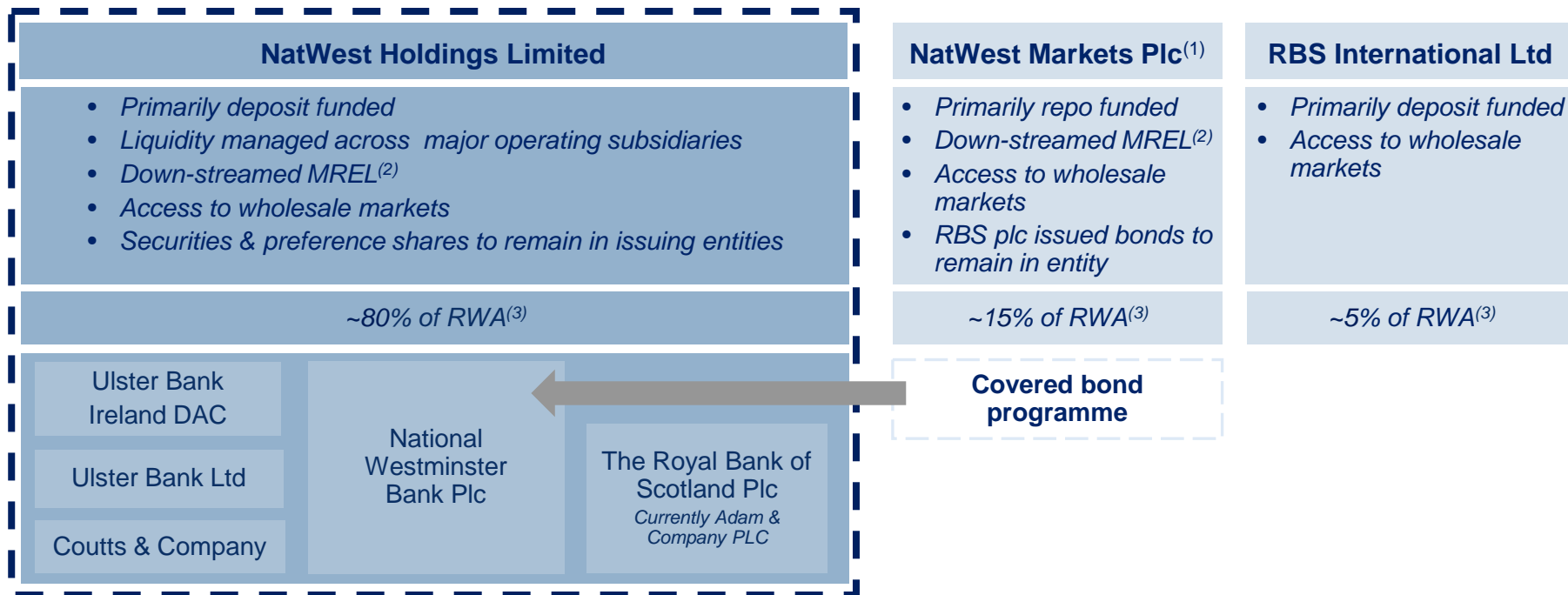
Returning to modest funding activity:

- Reintroduce regular secured funding
- Participant in the Term Funding Scheme
- Tactical unsecured funding

- Issued £2.3bn equivalent covered bonds
- Drew down £9bn from the TFS, £14bn in total
- Issued £1.1bn equivalent Senior OpCo

Ring fencing plans progressing well

Illustrative future structure



- External debt to remain in its original issuing entity; Covered bond programme transferred to NatWest Bank reflecting source collateral
- RBS NV repurposed to support NatWest Markets serve its European customers
- Entities outside ring fence likely to be rated lower than those inside – S&P have guided toward a one-notch differential

Estimated Loss Absorbing Capital (“LAC”) position⁽¹⁾



H1 2017, £bn	LAC value ⁽¹⁾	Regulatory Value ^(2,3)	Par Value ⁽⁴⁾
Common Equity Tier 1 Capital⁽⁵⁾	31.9	31.9	31.9
Tier 1 Capital: End point CRR compliant AT1	4.0	4.0	4.0
<i>o/w RBS Group Plc (HoldCo)</i>	4.0	4.0	4.0
<i>o/w RBS Operating Subsidiaries (OpCos)</i>	-	-	-
Tier 1 Capital: End point CRR non-compliant	2.8	3.6	5.6
<i>o/w HoldCo</i>	2.7	3.5	5.3
<i>o/w OpCos</i>	0.1	0.1	0.3
Tier 2 Capital: End point CRR compliant	5.6	7.3	9.0
<i>o/w HoldCo</i>	5.1	6.6	6.7
<i>o/w OpCos</i>	0.5	0.7	2.3
Tier 2 Capital: End point CRR non-compliant	2.1	1.9	2.5
<i>o/w HoldCo</i>	0.1	0.1	0.4
<i>o/w OpCos</i>	2.0	1.8	2.1
Senior unsecured debt securities	8.5	-	25.5
<i>o/w HoldCo</i>	8.5	-	9.9
<i>o/w OpCos</i>	-	-	15.6
Total LAC	54.9	48.7	78.5
Total LAC as a ratio of RWAs	25.5%		

(1) 'LAC value' reflects RBS's interpretation of the Bank of England's policy statement on the minimum requirement for own funds and eligible liabilities (MREL), published in November 2016. MREL policy and requirements remain subject to further potential development, as such RBS estimated position remains subject to potential change. Liabilities excluded from LAC include instruments with less than one year remaining to maturity, structured debt, operating company senior debt, and other instruments that do not meet the TLAC/MREL criteria. Includes Tier 1 and Tier 2 securities prior to incentive to redeem. (2) Regulatory capital instruments issued from operating companies are included in the transitional LAC calculation, to the extent they meet the TLAC/MREL criteria. (3) Regulatory amounts reported for Additional Tier 1, Tier 1 and Tier 2 instruments are before grandfathering restrictions imposed by CRR. (4) Par value reflects the nominal value of securities issued. (5) Corresponding shareholders' equity was £49.3bn.

RBS senior debt rating composition



	Standard & Poor's		Moody's		Fitch	
Stand-alone rating	Stand Alone Credit Profile	bbb	Baseline Credit Assessment	baa3	Viability Ratings	bbb+
	Anchor	bbb+	Macro profile	Very Strong -	Operating environment	a+ to aa
	Business position	0	Financial profile	baa2	Company profile	bbb to a-
	Capital and earnings	0	Qualitative adjustments	-1	Management & strategy	bbb to a-
	Risk position	-1			Risk appetite	bbb to a-
	Funding and liquidity	0			Financial profile	bb- to a+(1)
+						
Additional factors	Additional factors		Additional factors		Additional factors	
	Notching (HoldCo)	-1	Loss given failure (HoldCo)	0	Government support	0
	ALAC support (OpCo)	+2	Government support	+1	Qualifying junior debt	0
	Government support	0	Loss given failure (OpCo)	+2		
	Group support	0				
=						
Liability ratings	HoldCo senior long-term	BBB-	HoldCo senior long-term	Baa3	HoldCo senior long-term	BBB+
	OpCo senior long-term	BBB+	OpCo senior long-term	A3	OpCo senior long-term	BBB+
	OpCo senior short-term	A-2	OpCo senior short-term	P-2	OpCo senior short-term	F2
	Outlook	Stable	Outlook	Stable	Outlook	Stable

(1) The wide Financial profile rating range (bb to a+) is a result of a low score on profitability (bb- to bb+). RBS scores more favourably on the other components of the rating: asset quality (a- to bbb), capitalisation & leverage (a- to bbb); and funding & liquidity (a- to a+).

Forward Looking Statements

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; structural reform and the implementation of the UK ring-fencing regime; the implementation of RBS's transformation programme, including the further restructuring of the NatWest Markets business; 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; future pension contributions; RBS's exposure to political 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.

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 2016 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 RBS presented by the outcomes of the legal, regulatory and governmental actions and investigations that RBS is or may be subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes and the timing thereof (including where resolved by settlement); economic, regulatory and political risks, including as may result from the uncertainty arising from the vote to leave in the EU Referendum and from the outcome of general elections in the UK and changes in government policies; RBS's ability to satisfy its residual EU State Aid obligations and the timing thereof; 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 transformation programme, particularly the proposed further restructuring of the NatWest Markets business, 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; the exposure of RBS to cyber-attacks and its ability to defend against such attacks; RBS's ability to achieve its capital 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, additional pension contributions, 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; 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.

In addition, there are other risks and uncertainties that could adversely affect our results, ability to implement our strategy, cause us to fail to meet our targets or the accuracy of forward-looking statements in this document. These include operational risks that are inherent to RBS's business and will increase as a result of RBS's significant restructuring initiatives being concurrently implemented; the potential negative impact on RBS's business of global economic and financial market conditions and other global risks, including risks arising out of geopolitical events and political developments; the impact of a prolonged period of low interest rates or unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; the extent of future write-downs and impairment charges caused by depressed asset valuations; deteriorations in borrower and counterparty credit quality; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates as well as divergences in regulatory requirements in the jurisdictions in which RBS operates; the risks relating to RBS's IT systems or a failure to protect itself and its customers against cyber threats, reputational risks; risks relating to increased pension liabilities and the impact of pension risk on RBS's capital position; risks relating to the failure to embed and maintain a robust conduct and risk culture across the organisation or if its risk management framework is ineffective; RBS's ability to attract and retain qualified personnel; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; the value and effectiveness of any credit protection purchased by RBS; risks relating to the reliance on valuation, capital and stress test models and any inaccuracies resulting therefrom or failure to accurately reflect changes in the micro and macroeconomic environment in which RBS operates, risks relating to changes in applicable accounting policies or rules which may impact the preparation of RBS's financial statements or adversely impact its capital position; the impact of the recovery and resolution framework and other prudential rules to which RBS is subject; the recoverability of deferred tax assets by the Group; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as at the date hereof, and RBS 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.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicit of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.