Commercial Banking Investor Seminar

29th November 2018

Your presenters

Alison Rose, Chief Executive Officer, Commercial & Private Banking
- Appointed February 2014 - 26 years experience with RBS
- Previous roles include: Head of M&IB, EMEA; Head of EMEA Corporate & Sponsor Coverage; Global Head of Portfolio and Head of Leverage Finance UK

Andrew Lewis, MD, Capital & Transaction Management, Commercial & Private Banking
- Appointed May 2014 – 22 years experience with RBS
- Previous roles include: Head of Enterprise Risk Management; CAO Restructuring and Risk; FI Debt Capital Markets

Keith Middlemass, Chief Digital Officer, Commercial & Private Banking
- Appointed Chief Digital Officer June 2018
- Previous roles include: Interim Head of Digital from December 2017; Consultancy and FinTech

Andy Ellis, Head of Strategy and Innovation, Commercial & Private Banking
- Appointed April 2014 - 16 years experience with RBS
- Previous roles include: Head of Strategy, Corporate Banking Division

Rob Whittick, Finance Director, Commercial & Private Banking
- Appointed September 2014 - 20 years experience with RBS
- Previous roles include: CAO International Banking; Head of Executive Decision Support, M&IB; CFO for Banking in GBM and CFO for GBM in Asia Pacific

Agenda

Commercial Banking Overview – Alison Rose, CPB Chief Executive Officer

Transforming the Core – Andrew Lewis, MD, Capital & Transaction Management, CPB

Digitising Customer Experience – Keith Middlemass, CPB Chief Digital Officer

Delivering Innovation – Andrew Ellis, Head of Strategy and Innovation, CPB

Financial Performance – Rob Whittick, CPB Finance Director

Note(s): Commercial & Private Banking will be referred to as CPB

Alison Rose
CPB Chief Executive Officer

The focus of today's presentation: Commercial Banking

RBS

CPB: Alison Rose

Moving into CPB from 1 Jan 2019 | *Inside the ring-fence* | *Outside the ring-fence*

Business Banking		Commercial Banking		Private Banking		RBS International
England, Scotland & Wales (NatWest)	Scotland (Royal Bank of Scotland)	England, Scotland & Wales (NatWest)	Scotland (Royal Bank of Scotland)	England, Scotland & Wales (Coutts)	Scotland (Adam & Company)	Crown Dependencies, Gibraltar, UK & Luxembourg (RBS International)
Start-ups and SMEs *up to £2m Turnover*		**Commercial & Corporate** *£2m+ Turnover*		**High Net Worth connections** *£1m+ Assets, Liabilities or Income p.a.*		**Business & Retail** *Personal & Non-personal*

Focus of this presentation

Commercial Banking as a proportion of total Group Q3 YTD 2018:

Operating Profit **41%**

RWAs **35%**

Anticipated business transfers from 1 Jan 2019:

- Business Banking in
- Western Europe business out

Commercial Banking: driving growth, value and returns

What sets us apart in a highly competitive environment

Driving sustainable growth by embedding balance sheet, capital and risk discipline

Strong digital channels and propositions, continuously improving customer journeys

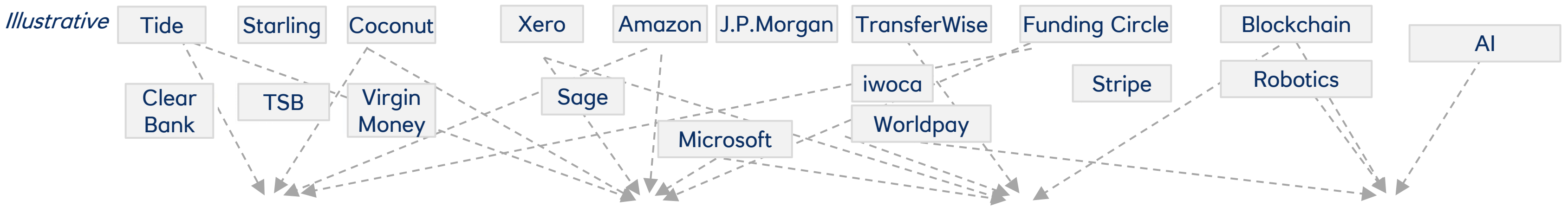
Leading relationship-led engagement model, driving growth in chosen sectors

Innovating to expand into adjacent business needs and revenue streams

Notes(s): (1) Market share includes personal bank accounts used as business accounts; includes Natwest, RBS & W&G; Source Charterhouse Business Banking Survey, Q3 2018. Commercial £2m+ in GB. Sample size 3,075; 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

Our strategy is based on a deep understanding of customer needs

Customer needs:	**Micro** Expect 'Mobile first' with a personal touch	**Small SME** Informed RM for support during 'moments of truth'	**Complex SME / Mid Corporate** Trusted RM for advice with sector and product expertise	**Large Corporate** Supplement internal expertise with advice and transactional capabilities
Competitors:	Digital new entrants and challengers	FS/Non-FS connectivity & partnerships	Point solutions	New Tech & Artificial Intelligence

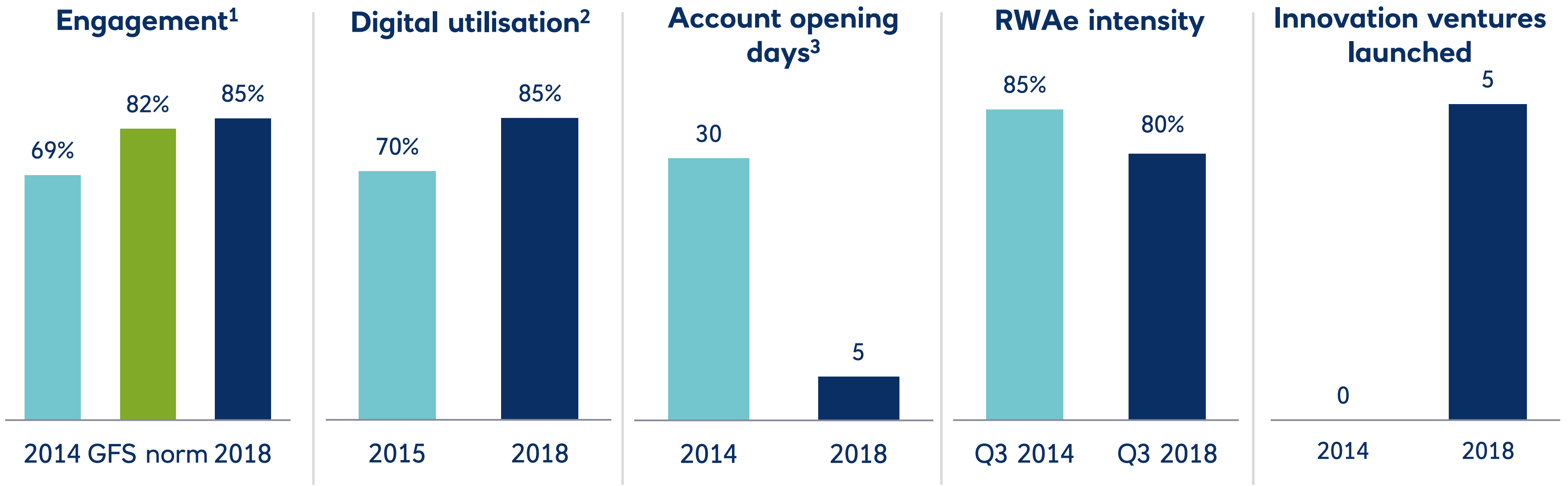


Segments:	(t/o <£2m)	(£2-25m)	(£25-500m)	(£500m+)
Imperatives:	Seamless digital experience with personal touch	Digital-augmented RMs with sector value-add	Strong capital and pricing capabilities across sectors	Market access and linkage to NWM; capital deployment and distribution

We have transformed the business with disciplined delivery against all key priorities…

RBS

1 Invest in our people	2 Digitise customer experience	3 Simplify our business	4 Generate sustainable growth	5 Deliver innovation to market



Notes(s): (1) CPB Employee Survey Score Q3 2018; (2) Digital Utilisation: % of time customers spend using digital channels. Only available data goes back to 2015 (3) Account opening: how long it takes, on average, for a customer to open an account, from application to receiving an account number and sort code; All: Latest available data

1 Invest in our people

RBS

Developing the RM of the future

Yesterday's RM	Today's market leading RM[1]	Tomorrow's RM
Transactional relationships, helping customers navigate internal processes	Providing broader business solutions, and sector-led insight	Becoming an invaluable business partner, providing timely insight and solutions

Underpinned by a great employee proposition

- CPB Academy
- Entrepreneur Network
- Digital enablement and agile working
- Diversity and Inclusion

Notes(s): (1) Charterhouse Research Business Banking Survey, Q3 2018. Commercial £2m+ in GB. Question: "How would you rate your current relationship manager, thinking about all your dealings with them over the past 12 months?". Base: All who have made contact with a RM or RM Director (RBSG sample size, excluding don't knows: 819). Data weighted by region and turnover to be representative of businesses in Great Britain

② Digitise customer experience

RBS

Enhanced customer experience through....

... improved channels

- New Bankline
- Bankline Mobile
- Bankline Direct

... and digital customer journeys

- Lombard Digital
- On-boarding and Account Opening
- Lending Transformation

3 Simplify our business

RBS

Eliminating | Wholesale product rationalisation: **250 products to <95**

Simplifying | Credit policies: **60 into 1**, Pricing models **10 into 1**

Automating | **Automated 9,000** short form annual renewals

4 Generate sustainable growth

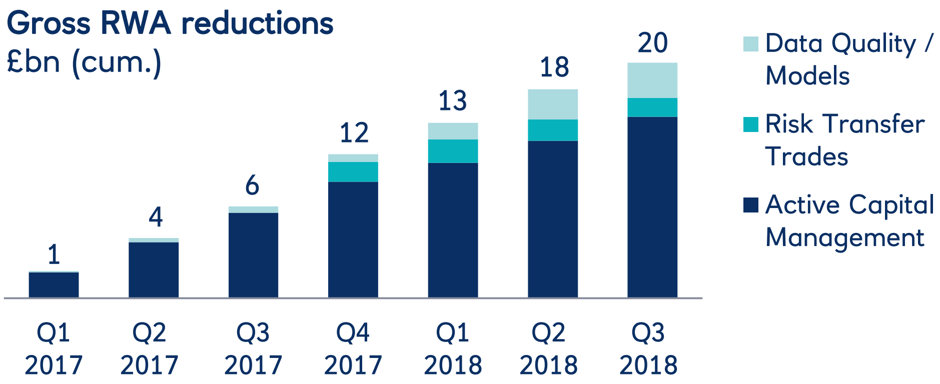
Ongoing disciplined approach…

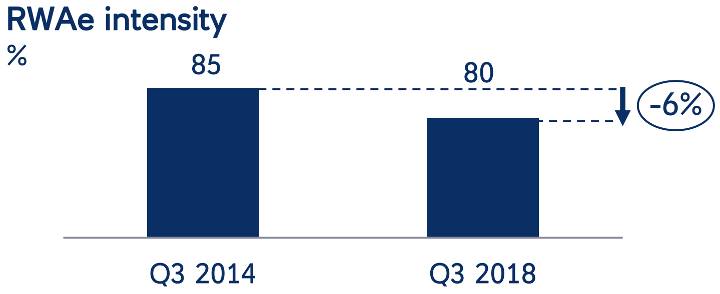
Capital and risk management

Pricing

Conduct & controls

…releasing capital and driving sustainable growth





5 Deliver innovation to market

Innovating inside and outside the core

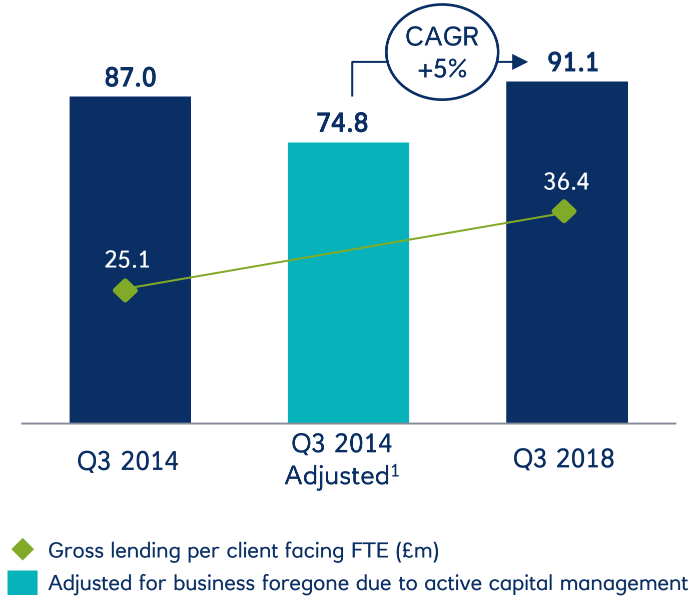
- Dedicated innovation team
- Feet on the ground in Fintech hubs and experience where it counts
- Partnering in order to access leading expertise and acquire talent
- Creating solutions to real business problems
- Innovation programme built on commercial rigour and VC-style approach
- Executing at pace

Strengthening the business to create shareholder value

RBS

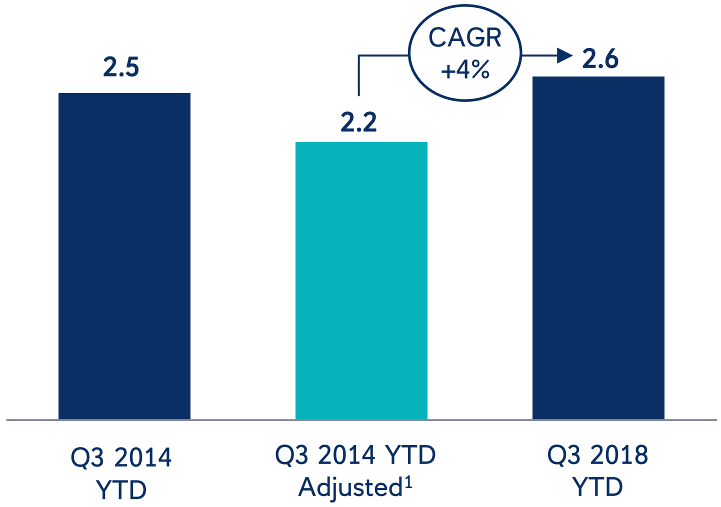
Balance sheet up

Gross Loans & Advances
£bn



Revenue up

Revenue
£bn



Notes(s): (1) Adjustment is for active portfolio management impacts only and does not reflect business transfers. For business transfer details see pages 31 & 32 2015 Annual Results, page 4, 2017 Annual Results, page 5 Q1 18 results, page 5 Q3 18 IMS results. 2014 numbers in line with Q1 2016 financial supplement.

Key messages: delivering growth, value and returns

RBS

1. Largest UK Commercial bank with leading customer advocacy
2. Driving sustainable growth by embedding balance sheet, capital and risk discipline
3. Leading relationship-led engagement model, driving growth in chosen areas
4. Strong digital channels and propositions, continuously improving customer journeys
5. Innovating to expand into adjacent business needs and revenue streams

Andrew Lewis
MD, Capital & Transaction Management, CPB

A disciplined approach to capital, pricing and risk has radically transformed the balance sheet

Capital and risk management

Pricing

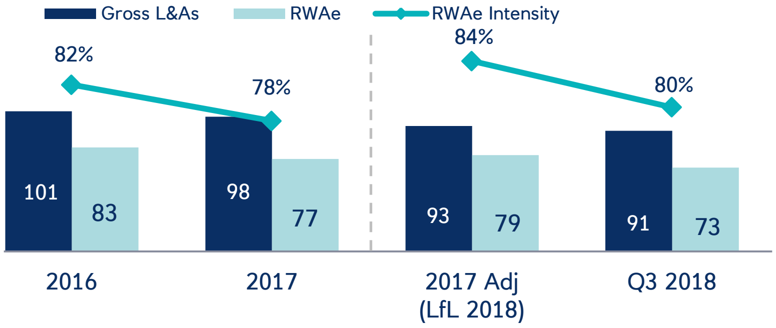
Conduct & controls

As we grow we will continue to manage capital proactively and efficiently

RBS

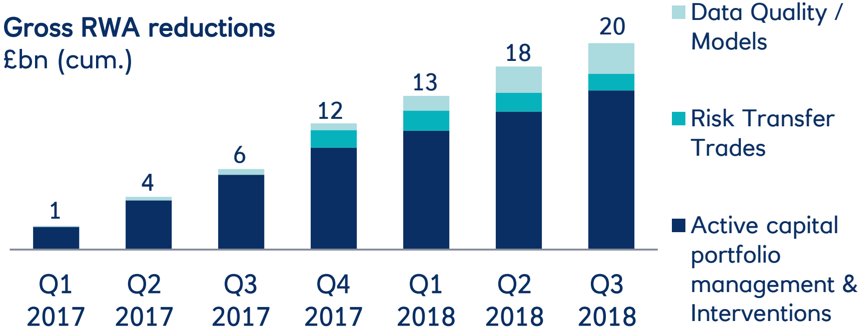
Gross L&As, RWAe, RWAe Intensity

£bn, %



Gross RWA reductions

£bn (cum.)



- Proactively manage our lending portfolio:
  - Low returning relationships / single name exits
  - Assets that perform poorly under multi-scenario planning
  - Strategic go forward Commercial business
- Recycled £20bn of RWAs in the last two years
- Active and in-life sector exposure management
  - CRE book reduced 68% since 2010
  - Retail book reduced 10% in the last 12 months
- We will continue to apply these disciplines both in origination and ongoing portfolio management
- We do not expect to see this level of intervention required looking forward

Note(s): 2017 L&A and RWA has been adjusted for transfers and model changes that occurred in Q1 and H1, detailed in IMS disclosures

Capital and risk management

Key Transactions 2016 - 2018

RBS

2016

Transaction	Amount	Asset	Entity
Portfolio Sale	£300m	UK SME CRE	RBS
Synthetic Securitisation	£433m	UK Healthcare SME	RBS
Back-book restructuring	£102m		RBS

2017

Transaction	Amount	Asset	Entity
Portfolio Sale	£126m	UK Passenger Railway Fleet	RBS
Synthetic Securitisation	£5,890m	UK SME & IPRE	RBS
Portfolio Sale	£250m	Asset Finance	NatWest
Credit Risk Insurance	£180m	UK SME CRE	NatWest
Credit Risk Insurance	£300m	PELPs	NatWest
Credit Facilities & Insurance	£372m		NatWest

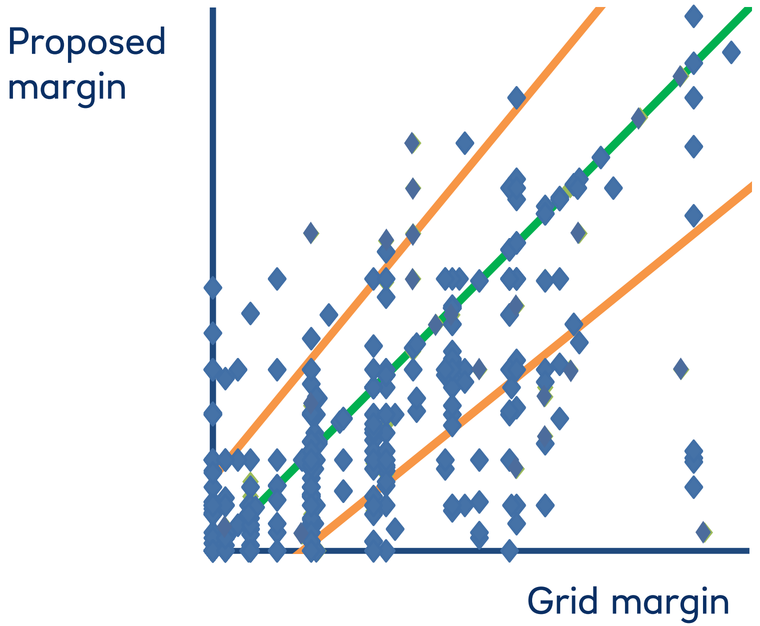
2018

Transaction	Amount	Asset	Entity
Credit Risk Insurance	£249m	Retail Portfolio	RBS
Portfolio Sale	£200m	UK SME CRE	NatWest
Portfolio Sale	£104m	French LA Loans	RBS
Synthetic Securitisation	£2,300m	UK CRE	NatWest

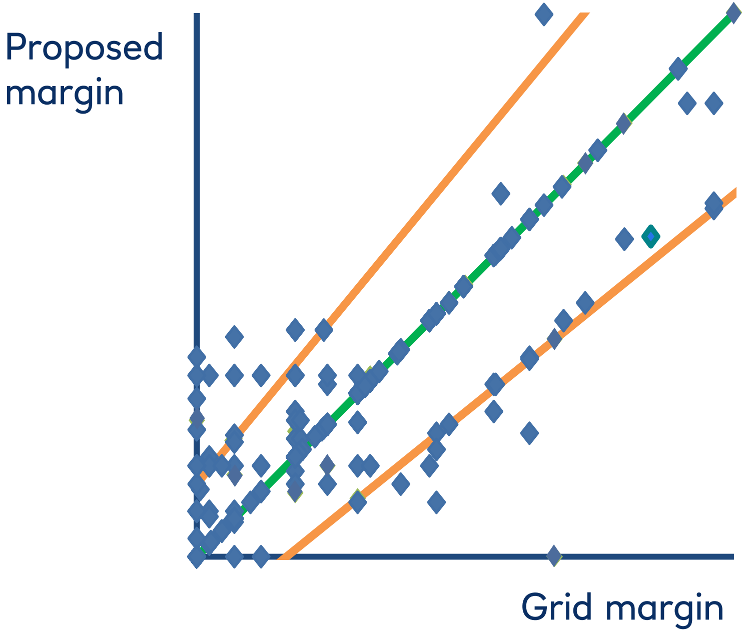
2019

Instilling a pricing discipline

Before



After



At grid   Within 20%

Material structural de-risk from a conduct and prudential regulation perspective

Lessons from the past support disciplined approach going forward

Sales framework

- Evidence based sales through need and outcome focused journeys
- Systematic link between customer sophistication and product complexity
- Leading the market in base level reviews of every product, standardising, simplifying and providing pricing transparency
  - Significant revenue uplift
  - 250 products to <95

Supervisory Control framework

- Improved first line supervision
- Proactive risk culture
- Significant increase in RM/sales training and online collateral for customers

Delivering the right customer outcome

Keith Middlemass
CPB Chief Digital Officer

We are a strong digital business, operating at scale…

RBS

1m+ registered users, from **micro businesses** to **FTSE 100**

5 primary digital **channels**

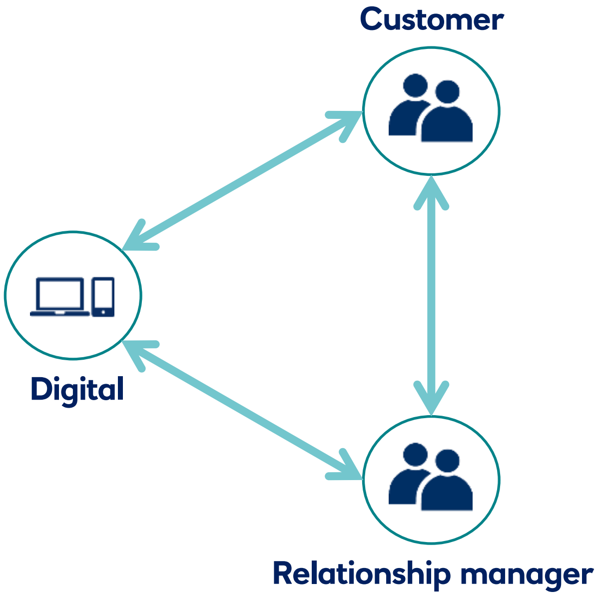
Handling c.**2.5m** site visits and **£200bn+** in transactions per month

#1 for Online Satisfaction[1]

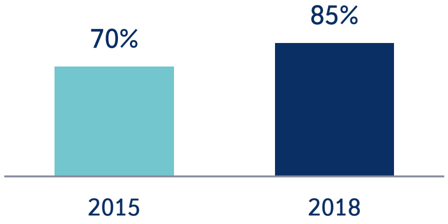
Note(s): Latest available data; (1) Charterhouse Commercial Banking survey for businesses with a turnover greater than £2m. 4-quarter rolling data. Based on the question "How would you rate the online banking system overall?". Excludes those answering 'don't know'. Base: Users of the online banking system. Sample size for RBSG = 414.

…#1 for online satisfaction[1], delivering to customers and relationship managers

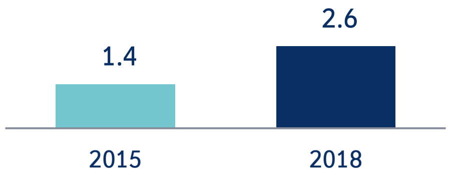
Our approach



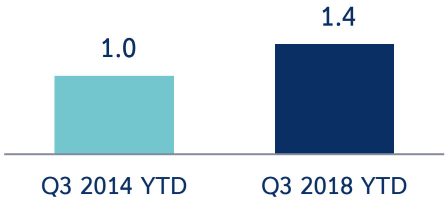
Digital utilisation[2]
%



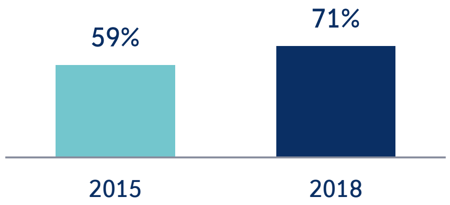
Bankline Site Visits[3]
m



Income per RM
£m



RM engagement
%



Note(s): Latest available data; (1) Charterhouse Commercial Banking survey for businesses with a turnover greater than £2m. 4-quarter rolling data. Based on the question “How would you rate the online banking system overall?”. Excludes those answering ‘don’t know’. Base: Users of the online banking system. Sample size for RBSG = 414. Bankline is our online banking platform (2) Digital Utilisation: % of time customers spend using digital channels. Only available data goes back to 2015 ; (3) Bankline is our online banking platform. Bankline site visits: Number of visits to the Bankline website on average per month

We are continually improving our channels…

RBS

Bankline

- Processing over **400,000** payments daily
- Reducing time taken to make a payment by **~30%**
- **Cora,** our digital chatbot, is processing c.**5,000** Bankline queries per month (16% after hours)

Bankline Mobile

- Launching in App Store in **Q4 2018**
- Testing with **700** customers
- **50%** of usage out of hours

Bankline Direct

- Customer technical on-boarding significantly reduced
- Processing c.**£50bn** in transactions per month

… whilst digitising our customer journeys…

RBS

On-boarding & Account Opening

- **30%** of Commercial accounts opened digitally
- Over **50%** of all accounts opened within 5 days

Lending Transformation

- Lending approval in **24 hours**
- Pre-assessed SME loans of **£750k**
- Application to decision in **4 minutes**

Lombard Digital

- Delivered **end-to-end** digital customer journey
- Extended to **40** asset classes

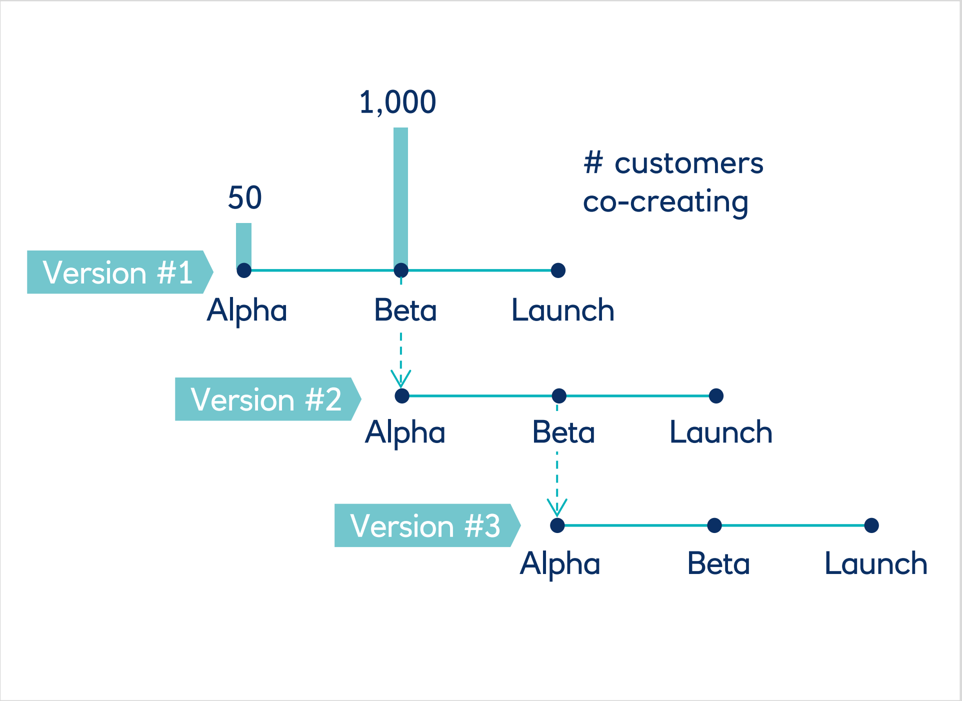
… and reinventing the way we work

Customer-led — **Co-creation** with customers at every step

Moving at pace — From proof of concept to launch in **months**

Continuously improving — **Continuous development** of new releases

Illustrative example of digital execution



Mobile Bankline App

Andrew Ellis
Head of Strategy and Innovation, CPB

Building businesses and digital solutions for new and existing customers

c.800k[1] existing customers

c.4.5m[2] potential new SME customers

Multi-Channel

Fully Digital

Direct & 3rd Parties

Broad suite of banking and value add services

Current account, payments, and integrated business services

Path.

esme

APTIMISE

Rapid Cash

Note(s): (1) Represents all NatWest SME customers; (2) Source: ONS Business Population Estimates for the UK and Regions 2018

Mettle: a new current account helping business owners to make better decisions

RBS

mettle

The forward-looking business account that lets you know what's next

✓ 5 minute remote account opening

✓ Create, send, track and chase invoices when they are due

✓ Capture receipts and categorise transactions for bookkeeping

✓ Track bills and schedule payments

✓ Live chat support

✓ Backed by NatWest

A portfolio creating solutions to real business problems

RBS

Modular - API Enabled - Single Sign On - Shared Customers

"…giving me a quick and easy way to borrow money when I need it, at a fair price"

"…my personal advisor, helping me to resolve business issues with on-demand access to expertise"

"…saving me time and money by tracking my invoice payments in one place"

"…provides me with a flexible alternative to an overdraft, against customer invoices which are due"

"…saving me time on business admin, enabling a current view of business performance and easy collaboration with an accountant"

Building innovation capabilities by doing things differently

RBS

Working differently to develop: mettle

- Developing strategic external **partnerships**

Partnering with:

11FS   CAPCO

- **Rapidly building solutions** in an agile environment

- **60+** software as a service providers onboarded
- Launched proof of concept in **6 months**

- Blending existing and **new talent**

Hired from:

Starling	Monzo	Nutmeg

Underpinned by a robust venture capital-style approach

Innovation operating model principles

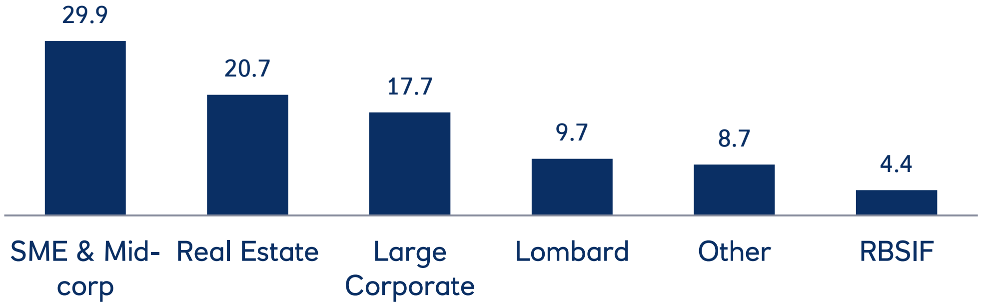
1. **Bold strategy and vision**
2. **Tough VC-style portfolio governance**
3. **Direct venture support model**
4. **Optimised BAU interaction model**
5. **Strong talent pool**
6. **Consistent ways of working**
7. **Shared assets and routes to market**

Rob Whittick
CPB Finance Director

Our diverse client base provides the platform for sustainable returns

Segment Balance Sheet split: Q3 2018 Gross Loans & Advances

£bn



- We support a diverse range of clients starting at c.£2m turnover through to the top end of the FTSE 100
- Whilst returns vary across the segments overall portfolio, returns are increasing driven by management actions

Sector Balance Sheet split: Sectors with Lending >3% of Loans

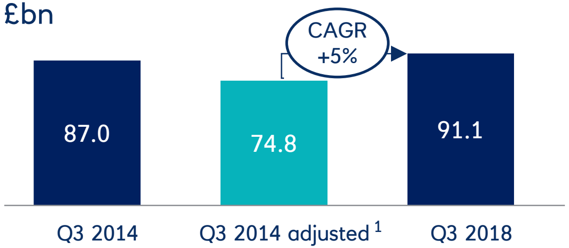
Agriculture	Natural Resources
Charities / NFP	Professional & Financial Institutions
Commercial Real Estate	Property / Construction
Healthcare	Retail & Other Wholesale
Housing Associations	Telecoms, Media and Technology
Leisure	Transport
Manufacturing	Other Services

- We have a diversified sectoral split of lending, supporting the UK economy and reducing exposure to idiosyncratic risk
- Our sector framework enables dynamic targeting of specified areas to optimise capital usage and manage risks

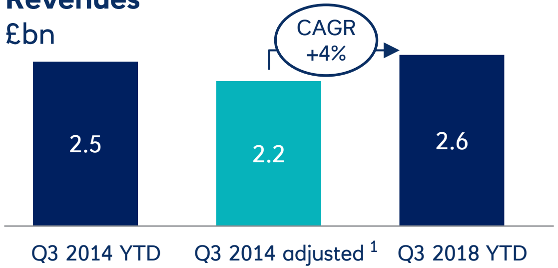
We have built a business to deliver sustainable returns and shareholder value

RBS

Gross Loans & Advances
£bn

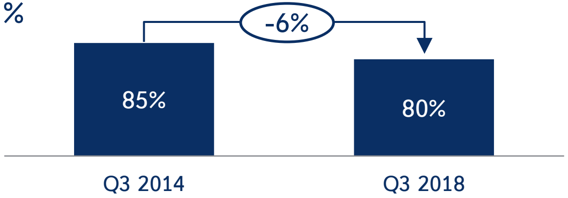


Revenues
£bn

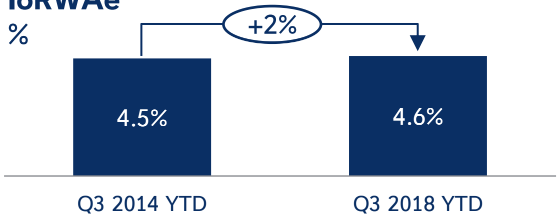


Adjusted for business foregone due to active capital management

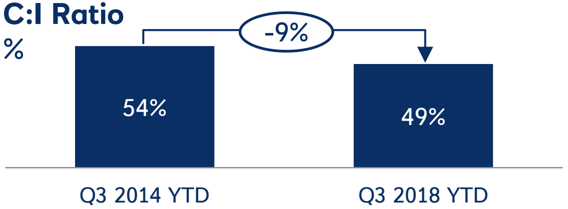
RWAe Intensity
%



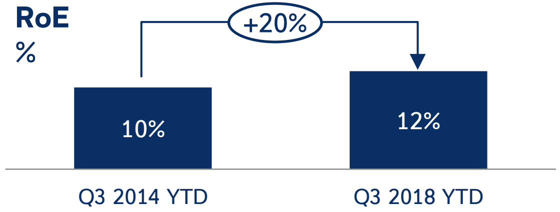
IoRWAe
%



C:I Ratio
%



RoE
%

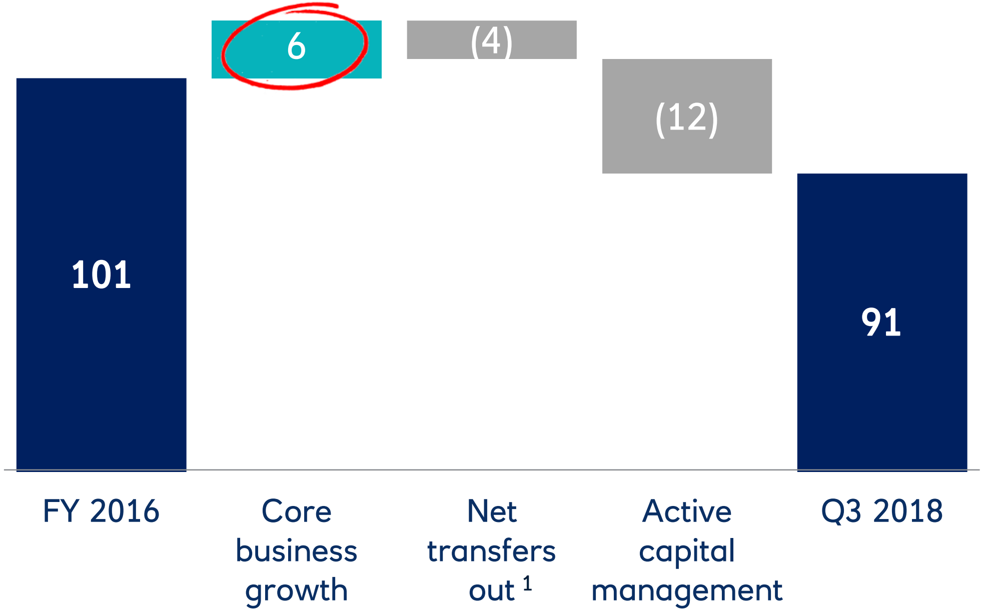


- Achieved strong underlying business growth since 2014 – headline results impacted by active portfolio management and business transfers
- Improved RWAe intensity and revenue per £ of RWAe as we have focused on credit and pricing discipline and growing capital efficient revenue streams
- Improvements in operating efficiency and front line productivity, driven by investment in our digital capability and front line capability

Note(s): (1) adjustment is for active portfolio management impacts only and does not reflect business transfers . For business transfer details see Pages 31 & 32 2015 Annual results, Page 4, 2017 Annual results, Page 5 Q1 18 results, Page 5 Q3 18 IMS results. 2014 numbers in line with Q1 2016 financial supplement. RBS's CET1 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 11% (Commercial Banking), of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAes). RBS return on equity is calculated using profit for the period attributable to ordinary shareholders.

We have achieved above market asset growth in our target areas

Gross Loans & Advances
£bn

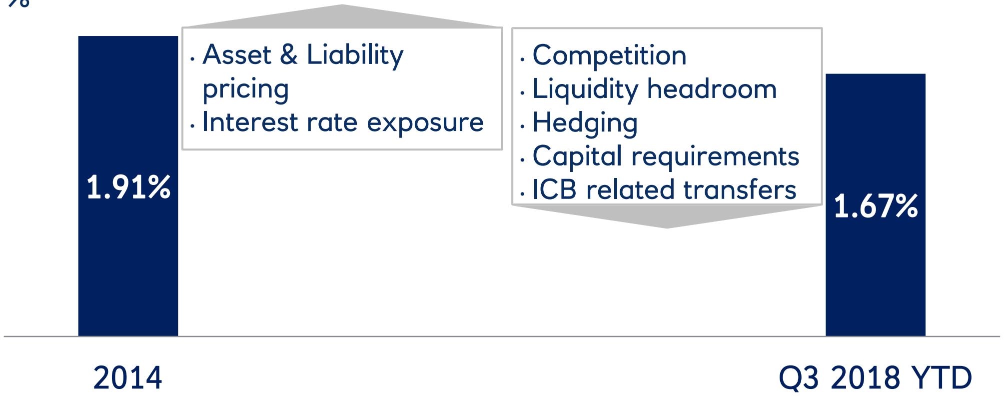


- Delivered £6bn growth (+3% annualised) in the core business since Dec 2016, ahead of market in target areas
- Growth in higher returning SMEs and Mid-Corps and selected Large Corporates has offset reductions in CRE and other Large Corporates as we manage concentration and scenario risk
- Our sector framework enables dynamic targeting of specified areas to optimise capital usage and manage risks

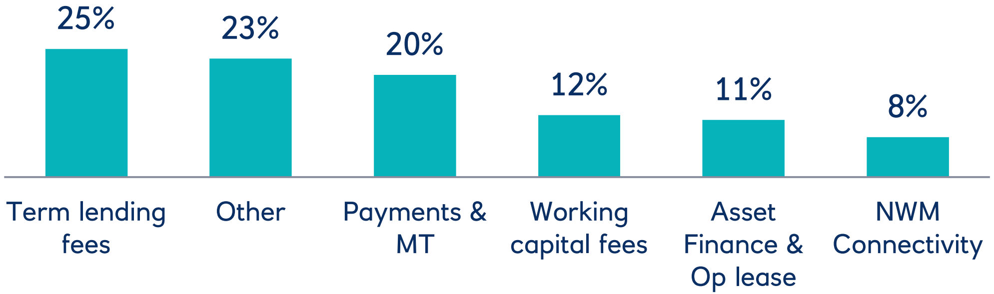
Note(s): (1) Net transfers shown as per 2017 Annual report, Q1 18 & Q3 18 IMS disclosures

Management actions have mitigated external and internal pressures on NIM and fees

Net Interest Margin[1]
%



2018 Non Interest Income
%

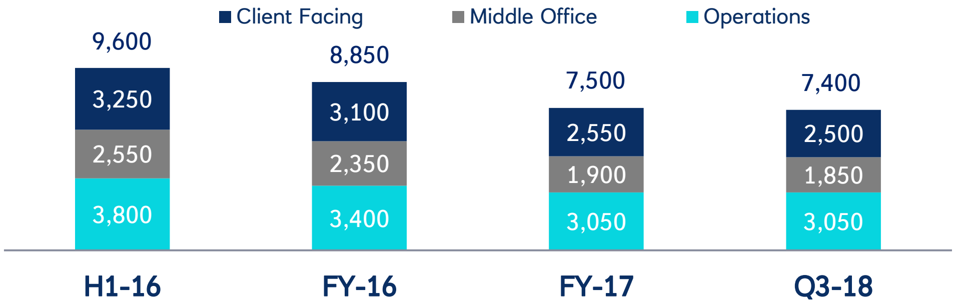


- Actions to improve underlying NIM include asset and deposit pricing initiatives, adjusting deposit mix, and targeted volume growth
- Reported NIM has been impacted by increased liquidity retention at RBSG level, declining hedge returns and regulatory requirements
- Upside potential from…
  - Pricing discipline
  - Targeted growth
  - Lower liquidity and capital costs
  - Economics in positive Brexit outcome
- Potential headwinds due to…
  - Competitive pressure
  - Further regulatory requirements
  - Economics in hard Brexit
  - Portfolio Management
  - Elevated liquidity position
- We have maintained fee revenues which are spread across our diverse product offering

Note(s): (1) NIM calculation includes central IEAs

We have driven consistent improvements in operating efficiency and front line productivity

FTE



Reducing our cost base and CI ratio

	2016	2017	2018[1]
Costs[2] £bn	1.9	1.8	1.7
CI ratio[3]	55%	50%	48%

Gross lending per client facing FTE

£m

H1-16		Q3-18
30.8	+18%	36.4

- Our investment in Digital, Front Line capability and business simplification has enabled a 23% headcount reduction
- We have achieved cost savings through a combination of headcount reductions and property, systems and product rationalisation
- We have driven an increase in Front Line productivity through digital enablement and dedicated training
- Our focus remains to improve C:I ratio through further improving efficiency and revenue growth

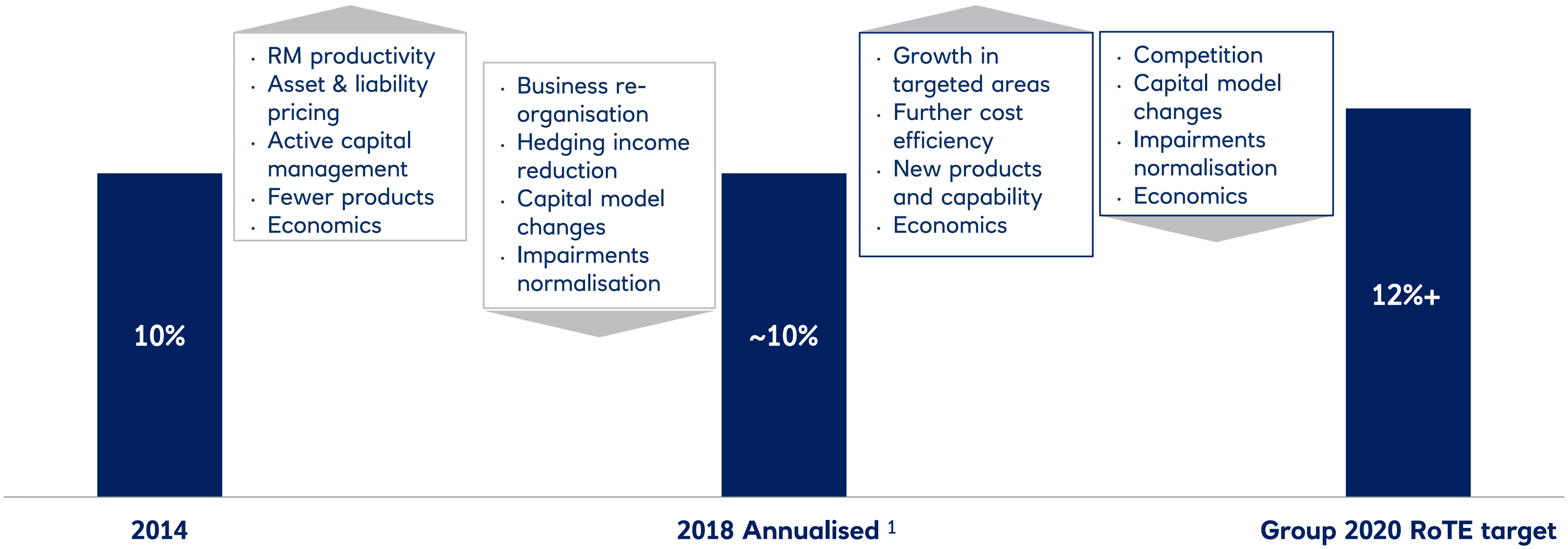
Notes (s): (1) Annualised using Q3 YTD + Bank levy impact (all periods exclude strategic costs, litigation & conduct) (2) Costs exclude strategic costs, litigation & conduct (3) C:I Ratios presented excluding strategic costs, litigation & conduct. Prior periods adjusted for prospective change controls to provide a like for like view of headcount and costs, all years exclude investment headcount

We will continue to take action to improve returns to deliver sustainable value

RBS

RoE (%)

More to come | **Whilst absorbing**



Notes (s): (1) Annualised using YTD run rate adjusted for Q4 Bank levy impact (does not represent a forecast). RBS's CET1 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 11% (Commercial Banking), of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAes). RBS return on equity is calculated using profit for the period attributable to ordinary shareholders

We meet our clients' needs through a portfolio of great products

RBS

Financing and Risk Management - buying & leasing assets, working capital management, investing, enabling trade and managing risk

	Product	Q3 YTD Revenue[1]	Q3 Asset Balance Sheet proportion
Term Lending & Interest rate management	Base / Libor / Bond origination & Interest Rates	43%	72%
Leasing	Lombard / Nordisk renting	15%	14%
International Trade management	Trade / Supplier chain finance / FX	4%	2%
Working Capital	RBSIF & Overdrafts	8%	12%
Mentor	Business Advice	1%	
Gross Loans and advances			£91.1bn

Managing money – enabling monitoring, moving and holding cash

	Product	Q3 YTD Revenue[1]	Q3 Deposit Balance Sheet proportion
Current Accounts	NIBBs	10%	38%
Deposit Accounts	IBBs	9%	62%
Money Transmission	Money Transmission + Bankline	4%	
Payments	Electronic Banking, International Payments	4%	
Cards	Commercial cards	2%	
Customer Deposits			£96.4bn

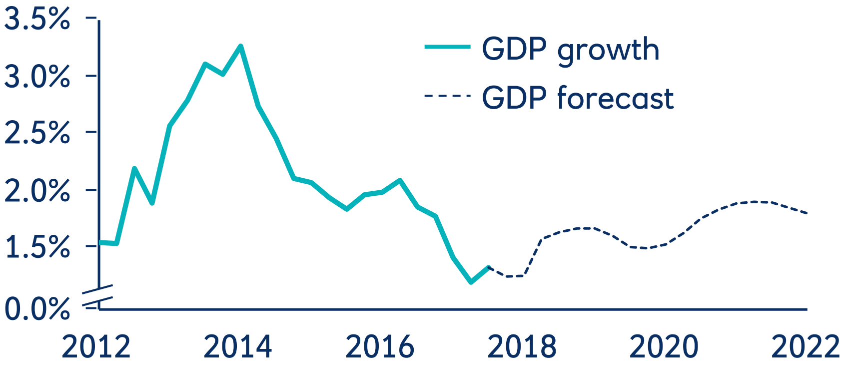
Note: (1) Non-recurring items excluded.

- Financing products provide sustained support to our customers and are the cornerstone of our relationship banking model
- Financing solutions provided from both the bank's balance sheet and capital markets
- Risk management products are provided to clients in partnership with NatWest Markets

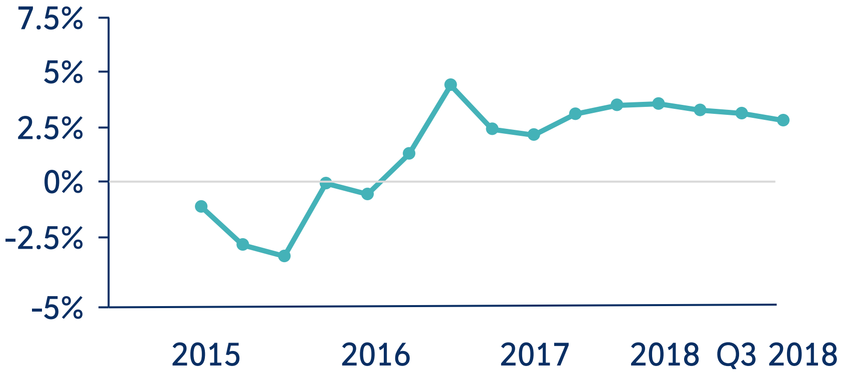
- Our products and services allow customers to move, monitor and hold money – meeting their day to day operational needs
- Majority of deposits are on a managed rate providing flexibility to the economic environment

Economic metrics relevant to our business

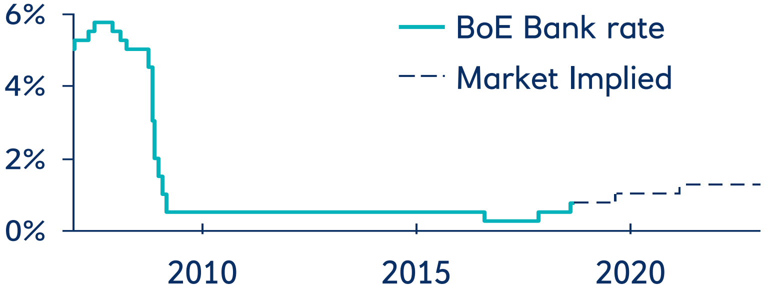
GDP YoY growth[1] – relevant for wider business investment levels and for Lombard and RBSIF



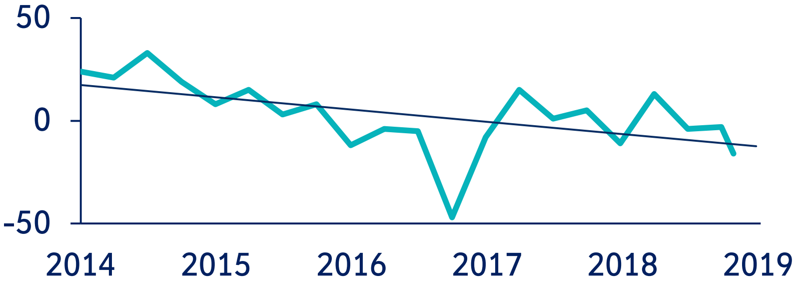
M4 PNFC (YoY)[2] – relevant for SME & mid-corps



Bank rate[2] – impacting margins of the businesses



Business confidence[3] – currently impacted by Brexit



Note(s): (1) Sources: U.K. Office for National Statistics (ONS); Moody's Analytics Forecast; (2) Sources: Bank of England; Moody's Analytics Forecast (3) Sources: CBI, UK

We project improving returns driven by sustainable growth

RBS

Commercial Banking (£m)	Q3 2018 YTD	3-5 year Outlook*
Income	2,569	↗
Costs (ex. OLD, Litigation & Conduct)	(1,200)	↘
Impairments	(122)	↗
Operating Profit ex L&C	**1,158**	↗
Gross Loans and Advances (£bn)	91.1	↗
Customer Deposits (£bn)	96.4	↗
Risk Weighted Assets equivalent (£bn)	72.5	↗
NIM	*1.67%*	↗

* Arrows and associated commentary represents management's current expectations and are subject to change, including as a result of the risk factors described in the Group's 2017 Report and Accounts and Interim Results 2018

- Our continued focus on core growth, costs and capital productivity will drive RoE upwards
- We will continue to invest in the business and develop new products – critical to long term returns
- Our active capital management programme is largely complete, ongoing discipline to be maintained
- Our balance sheet is well positioned for sustainable growth and improving returns in supportive economic environment
- We are building towards a sustainable 12%+ RoTE outlook

Note(s): P&L does not cast, as excludes £89m of OLD. Except and unless otherwise noted, all financial information in this presentation is for the Royal Bank of Scotland Group plc and prepared on a consolidated basis

Key Messages

1. The business has delivered consistent profits through the cycle, driven by management actions
2. We have a diverse and stable revenue base and a high quality balance sheet, actions on pricing have offset economic headwinds
3. We have proactively managed the portfolio to improve quality of returns and create capacity for growth
4. We have delivered strong growth in our target areas, and achieved improvements in operating efficiency and productivity
5. We project improving and sustainable returns and we are well positioned for growth

Key Messages

Key messages: delivering growth, value and returns

RBS

1. Largest UK Commercial bank with leading customer advocacy
2. Driving sustainable growth by embedding balance sheet, capital and risk discipline
3. Leading relationship-led engagement model, driving growth in chosen areas
4. Strong digital channels and propositions, continuously improving customer journeys
5. Innovating to expand into adjacent business needs and revenue streams

Questions

Disclaimers

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.

Cautionary statement regarding forward-looking statements

Certain sections in this presentation 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 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 Promotor 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 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.

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 presentation. These include operational risks that are inherent to RBS's business and will increase as a result of RBS's significant restructuring and transformation 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; 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 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 (including by competition authorities) 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 the failure to embed and maintain a robust conduct and risk culture across the organisation or if its risk management framework is ineffective; 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 application of stabilisation or resolution powers in significant stress situations; the execution of the run-down and/or sale of certain portfolios and assets; 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 presentation 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 presentation 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.