H1 2019 Results
Fixed income presentation

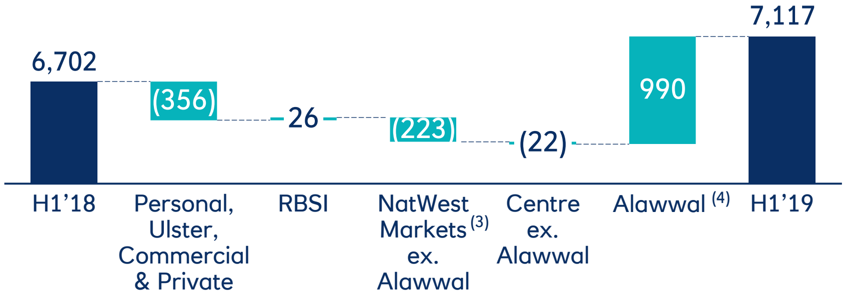
2nd August 2019

Katie Murray
Chief Financial Officer

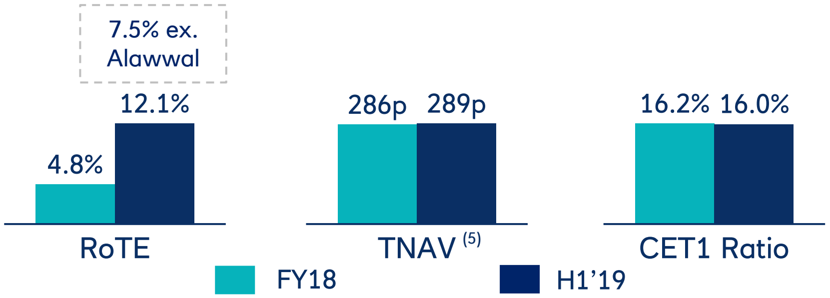
H1 2019 summary financials

£m	H1'19	H1'19 vs. H1'18
Net interest income	4,004	(7%)
Non interest income	3,113	31%
Total income	**7,117**	**6%**
Operating expenses	(4,100)	(13%)
o/w Other expenses	(3,411)	(5%)
o/w Strategic costs	(629)	80%
o/w Litigation & conduct costs	(60)	(93%)
Impairment losses	(323)	129%
Operating profit	**2,694**	**48%**
Tax	(194)	(73%)
o/w DTA write back [1]	215	-
Prefs/ MI/ Disc ops	(462)	102%
Attributable profit	**2,038**	**130%**
Cost:income ratio	**57.2%**	**(13pp)**
Bank NIM [2]	**2.04%**	**(9bps)**

Income (£m)



Key Metrics

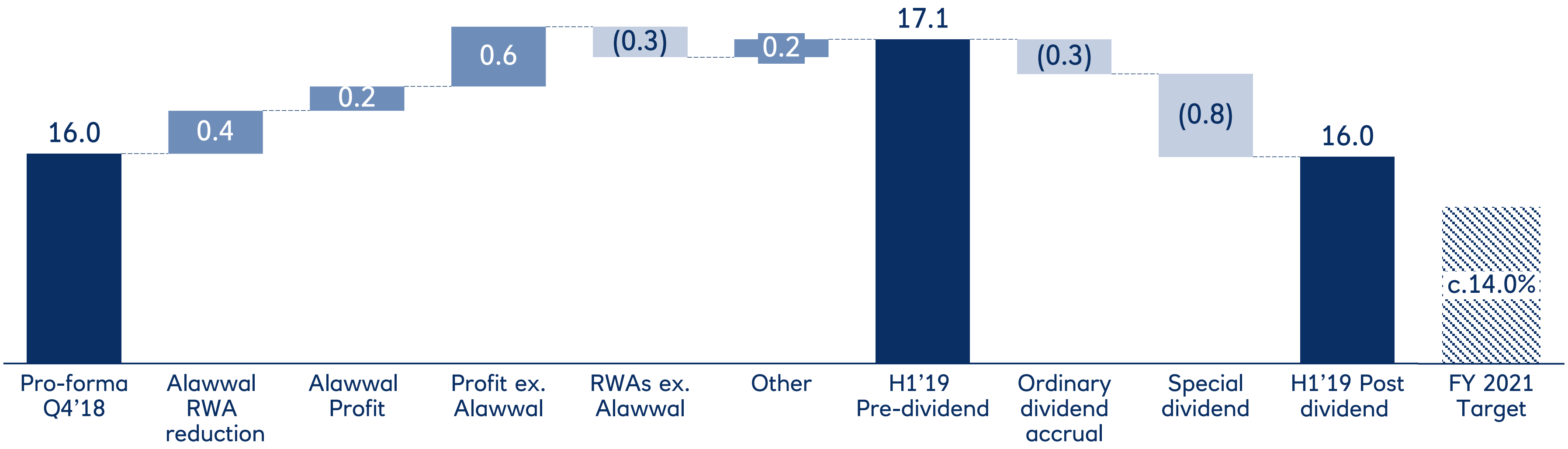


[1] The tax charge includes a £215 million deferred tax asset credit associated with the transfer of taxable losses from NatWest Markets Plc to RBS Plc under ring-fencing regulations. [2] "Bank NIM" is NIM excluding NatWest Markets [3] "NWM" throughout this presentation refers to NatWest Markets operating segment and should not be assumed the same as the NatWest Markets Plc legal entity or group. [4] Reference to Alawwal throughout this presentation refers to the merger between Alawwal Bank with Saudi British Bank on 17th June 2019. RBS held a stake in a consortium arrangement since the acquisition of ABN AMRO in 2007. The completion of this merger, and the unwinding of the consortium has impacts on the financial and capital position of RBS. [5] TNAV per ordinary share on a fully diluted basis

Capital generation H1 2019

Strong capital build

CET1 (%)



- Underlying capital generation of 45bps in H1 2019.

H1 2019 update on progress

Net loan growth	• 2.5% annualised net loan growth across Personal & Ulster and Commercial & Private • Targeting 2%-3% net loan growth in 2019	☑
Continuing cost reduction	• Reduced other expenses by £173m in H1'19 vs H1'18 • Targeting cost reduction of £300m in 2019	☑
Capital generation	• Underlying capital generation of 45bps in H1'19 • CET1 ratio at 16.0% post ordinary and special dividend accrual • RWAs £189bn	☑
Capital returns	• Targeting CET1 of c.14% by the end of 2021 • 2p ordinary dividend and 12p special dividend in H1'19	☑

- Unlikely to achieve our 12%+ RoTE and <50% CIR targets in 2020.
- These remain our strategic targets and we believe they are achievable in the medium term.[1]

[1] The targets, expectations and trends discussed in this section represents management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 253 to 263 of the 2018 Annual Report and Accounts and pages 47 to 48 of the Interim Results 2019. These statements constitute forward-looking statements. Refer to Forward-looking statements in the appendix of this document

Robert Begbie
Treasurer

Treasurer's review

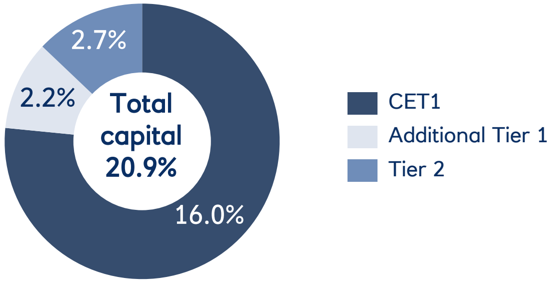
- Balance sheet reflects diversified funding, sound liquidity management and strong capital generation
- Good progress on issuance, lower-end of total 2019 senior unsecured guidance met in H1[1]
- S&P one notch upgrade across all rated entities, outlook stable
- Ongoing optimisation of the capital stack; redeemed €1bn Tier 2 3.625%

[1] Represents communicated guidance of £3-5bn for RBSG senior unsecured MREL requirement and £3-5bn NWM Plc senior unsecured funding target for 2019

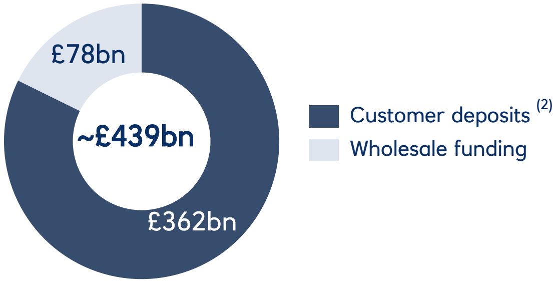
Strong, sustainable balance sheet

Key H1 2019 capital, funding and liquidity metrics

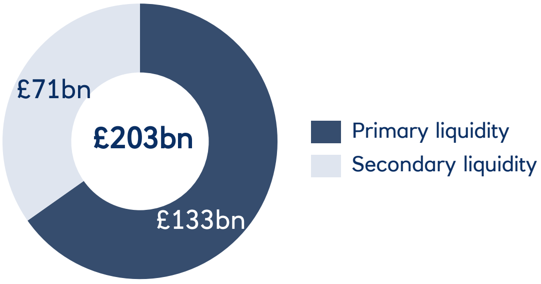
Capital stack (% RWA)



Total funding mix (£bn)[1]



Liquidity portfolio (£bn)[3]



RWA £189bn

CRR leverage ratio 5.2%

LDR 86%

STWF £19bn

LCR 154%

NSFR 140%

Note: Figures may not cast due to rounding.[1] Funding excluding repos, derivative cash collateral. [2] Customer deposits includes amounts from NBFIs, excludes customer repos. [3] Primary liquidity includes cash and other highly liquid securities, secondary liquidity comprises assets eligible for discounting at the Bank of England and other central banks

Good progress against 2019 issuance plan

RBS

	H1 2019 Issuance	2019 Guidance
RBSG plc Senior Unsecured MREL	~£3bn	£3-5bn
NWB Plc Covered Bond	£750m	£2-3bn(2)
NWM Plc Senior Unsecured	~£3.6bn(3)	£3-5bn

Continuing diversification of 2019 issuance across a range of formats, currencies and tenors(1)

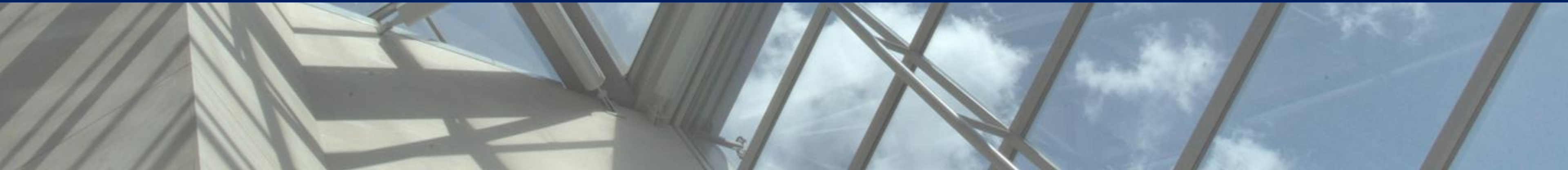
$2bn	RBSG senior MREL 6NC5 FXD to FRN
$1.25bn	RBSG senior MREL 11NC10 FXD to FRN
£500m	RBSG senior MREL 8NC7 FXD
£750m	NWB Plc inaugural SONIA linked 4yr FRN Covered Bond
$1.3bn	NWM Plc dual tranche senior 3.5yr FXD and FRN
€1bn	NWM Plc senior 5yr FXD
€1.25bn	NWM Plc senior 2yr FRN
¥50bn	NWM Plc dual tranche senior 3yr and 5yr FRN(3)
kr500m	NWM Plc senior 2yr FRN

(1) Excludes private placements and minor trades
(2) Total guidance is for NWH for both Covered Bonds and RMBS.
(3) 3yr and 5yr Yen transactions launched in June but and not settle until July 2019 and therefore not included in the £3.6bn issuance for H1 2019

Closing remarks

- Net lending growth in a highly competitive environment
- Ongoing capital generation and return to shareholders
- Maintaining a strong set of balance sheet metrics
- Significant progress toward funding targets

Q&A

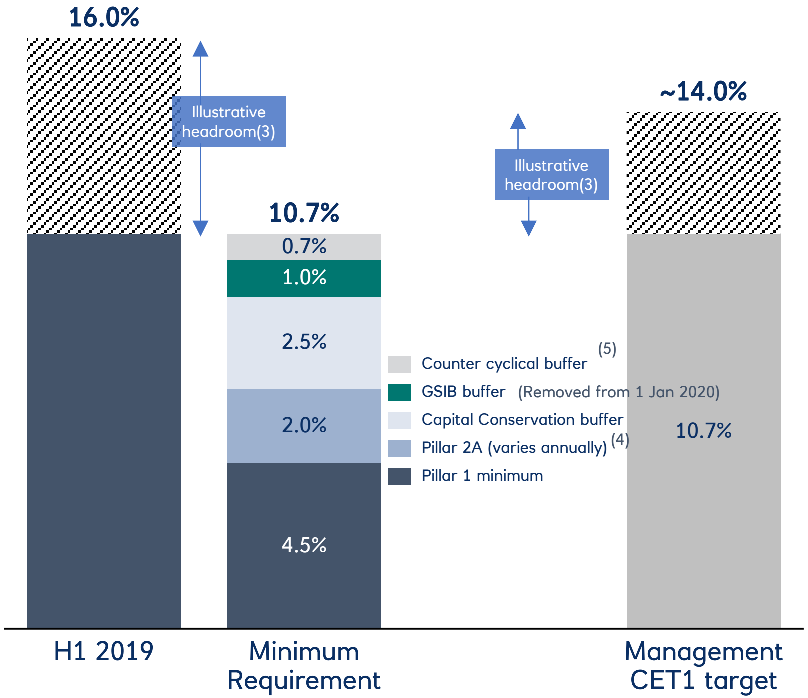


Appendix

Capital ratios significantly above regulatory requirements

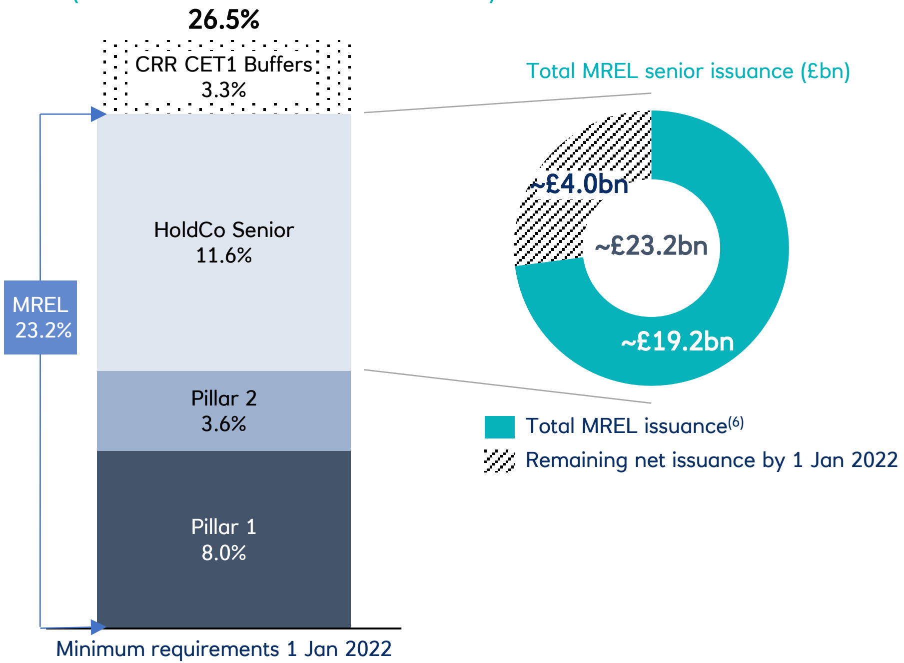
RBS

H1 2019 CET1 and target CET1 ratio versus maximum distributable amount ("MDA") (2)



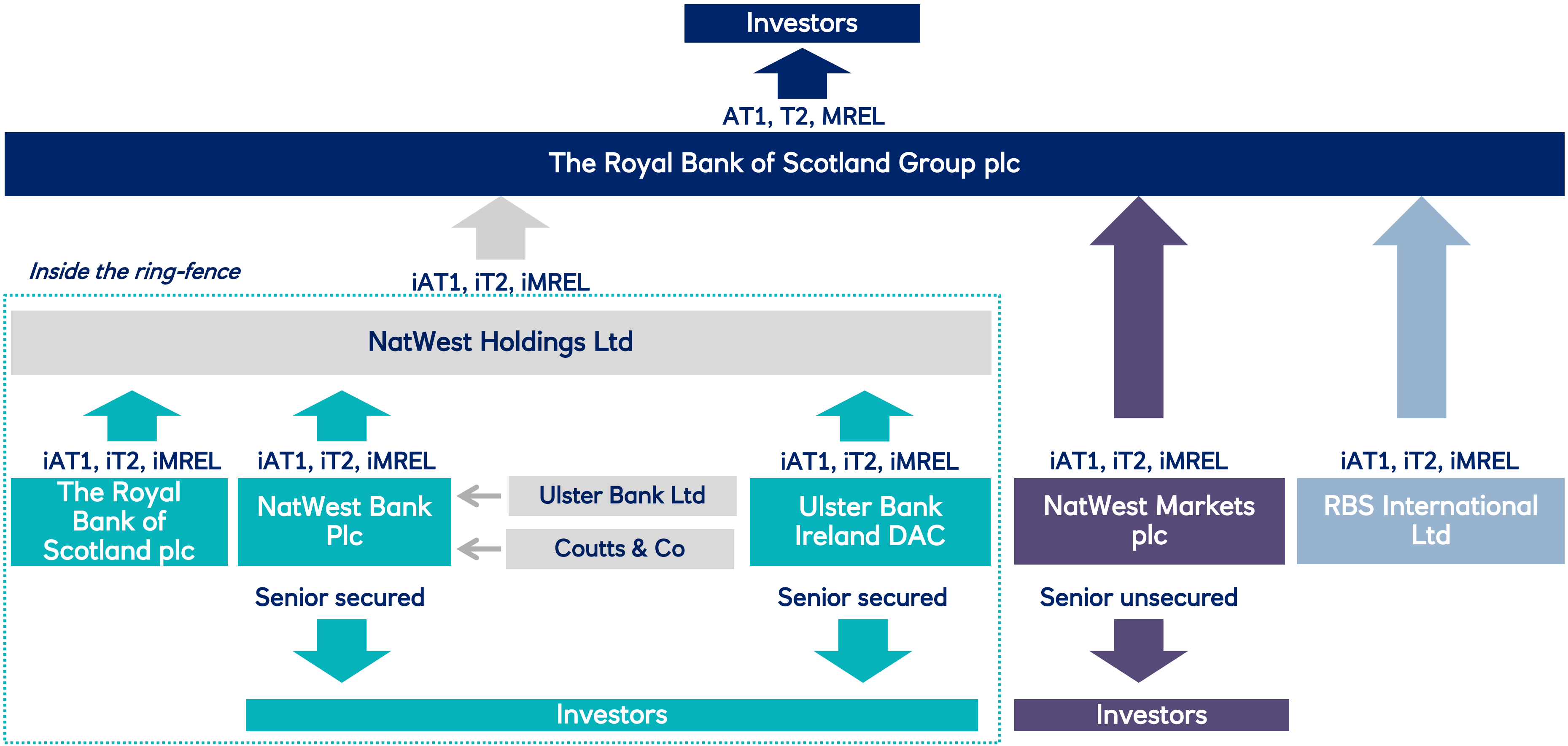
2022 minimum requirements as a % of RWA vs. Total MREL[1] senior unsecured outstanding

(Based on illustrative 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. Firm specific Countercyclical Buffer (CCyB) is based on the weighted average of CCyBs applicable to RBS exposures. The buffer in the illustration is based exclusively on already announced CCyB rates by local regulators. (6) Represents the LAC value of RBS Group plc senior unsecured issuance as at H1 2019

Issuing entity structure(1)



(1) Future external issuance of AT1, Tier 2 and MREL will be from RBS Group plc, subsidiaries will only issue AT1, Tier 2 and MREL internally. NatWest Bank Plc and Ulster Bank Ireland DAC will issue senior secured externally and Natwest Markets Plc will issue senior unsecured externally

RBS credit ratings

	Moody's	S&P	Fitch
RBS Group	**Baa2/Pos**	**BBB/Sta**	**A/RWN**
Inside the ring-fence			
Natwest Bank Plc	A1[1]/A2/Pos	A/Sta	A+/RWN
Royal Bank of Scotland plc	A1[1]/A2/Pos	A/Sta	A+/RWN
Ulster Bank Ireland DAC	Baa1[1]/Baa2/Pos	A-/Sta	A-/RWN
Ulster Bank Ltd	A1[1]/A2/Pos	A/Sta	A+/RWN
Outside the ring-fence			
NatWest Markets Plc	Baa2/Pos	A-/Sta	A/RWN
NatWest Markets N.V.	Baa2/Pos	A-/Sta	A/RWN
NatWest Markets Securities Inc	NR	A-/Sta	A/RWN
RBSI	Baa1/Pos	A-/Sta	A/RWN

Ratings actions in 2019

- In March Fitch placed the Long-Term Issuer Default Ratings of 19 UK banking groups on Rating Watch Negative[2] (RWN).
- In May S&P upgraded the issuer credit ratings of RBS Group and all rated subsidiaries by 1 notch; outlook stable
- In July Moody's assigned long-term and short-term deposit and issuer ratings of Baa1/Prime-2 to RBSI with a positive outlook

[1] Reflects the Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd; All other ratings reflect the long-term issuer/senior unsecured ratings
[2] RWN reflects the heightened uncertainty over the ultimate outcome of the Brexit process and the increased risk that a disruptive 'no-deal' Brexit, where the UK leaves the EU without a withdrawal agreement in place could result in negative action on the UK banks, most likely with Negative Outlooks being assigned

Estimated Loss Absorbing Capital ("LAC")

(£bn)	Par Value	Balance sheet value	Regulatory value	LAC value
CET1 Capital	**30.2**	**30.2**	**30.2**	**30.2**
Tier 1 capital: end-point CRR compliant AT1	**4.0**	**4.0**	**4.0**	**4.0**
o/w: RBSG (HoldCo)	4.0	4.0	4.0	4.0
o/w: RBSG operating subsidiaries (OpCos)	-	-	-	-
Tier 1 capital: non end-point CRR compliant	**1.5**	**1.7**	**1.5**	**0.6**
o/w: HoldCo	1.4	1.6	1.4	0.5
o/w: OpCos	0.1	0.1	0.1	0.1
Tier 2 capital: end-point CRR compliant	**6.4**	**6.6**	**5.3**	**4.8**
o/w: HoldCo	5.9	6.1	5.0	4.3
o/w: OpCos	0.5	0.5	0.3	0.5
Tier 2 capital: non end-point CRR compliant	**1.7**	**2.1**	**1.4**	**1.8**
o/w: HoldCo	0.1	0.1	0.1	0.1
o/w: OpCos	1.6	2.0	1.3	1.7
Senior unsecured debt securities issued by:				
o/w: HoldCo	19.4	20.0	-	19.2
o/w: OpCos	20.6	20.5	-	-
RWAs				**188.5**
LAC as a ratio of RWA				**32.1%**

H1 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	**2.4**	**0.3**	**2.2**	**0.4**	**0.3**	**0.9**	**0.6**	**7.1**
Operating expenses	(1.2)	(0.3)	(1.3)	(0.2)	(0.1)	(0.7)	(0.3)	(4.1)
Impairment (losses) / releases	(0.2)	0.0	(0.2)	0.0	0.0	0.0	(0.0)	(0.3)
Operating profit	**1.0**	**0.0**	**0.7**	**0.2**	**0.2**	**0.3**	**0.3**	**2.7**
Funded Assets	173.9	26.4	165.6	21.9	30.4	133.4	32.7	584.3
Net L&A to Customers (amortised cost)	151.9	19.0	101.4	14.7	13.6	9.3	0.7	310.6
Customer Deposits	147.5	19.0	133.4	28.0	28.1	2.8	2.8	361.6
RWAs	37.0	14.2	77.8	9.7	6.9	41.4	1.5	188.5
LDR	103%	100%	76%	52%	48%	n.m.	n.m.	86%
ROE [2]	**25.6%**	**2.1%**	**8.8%**	**16.6%**	**29.7%**	**1.0%**	**n.m.**	**12.1%**
ROE ex. Alawwal	-	-	-	-	-	(3.6%)	-	7.5%
Cost:income ratio [3]	50.2%	99.3%	56.9%	60.4%	38.4%	72.0%	n.m.	57.2%

[1] Central items & other include unallocated transactions which principally comprise volatile items under IFRS and items related to Alawwal bank merger. [2] RBS's CET1 target is approximately 14% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference share dividends, is divided by average notional equity allocated at different rates of 15% (Ulster Bank RoI - 14% prior to Q1 2019), 12% (Commercial Banking), 13% (Private Banking - 13.5% prior to Q1 2019, 14% from Q1 2017 to Q4 2017), 16% (RBS International - 12% prior to Q4 2017) and 15% for all other segments, of the monthly average of segmental risk-weighted assets equivalents (RWAes) incorporating the effect of capital deductions. RBS return on equity is calculated using profit for the period attributable to ordinary shareholders. [3] Operating lease depreciation included in income (H1 2019 - £68 million; Q2 2019 - £34 million).

Cautionary & forward looking statements

RBS

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 "Summary Risk Factors" on pages 47 and 48 of the RBSG H1 2019 IMS and the "Risk Factors" section on pages 255 to 263 of the RBSG 2018 Annual Report and Accounts, as well as the "Summary Risk Factors" on pages 35 and 36 of the NWM H1 2019 IMS and the "Risk Factors" section on pages 124 to 133 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 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 document, including in the risk factors and other uncertainties set out in the Group's 2018 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 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; exposure to third party risks including as a result of outsourcing and its use of new technologies and innovation, as well as related regulatory and market changes; 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: prevailing uncertainty on the terms of the UK's withdrawal from the European Union; the Group's plans for continuity of business impacted by the UK's expected departure from the EU; 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; the Group complying with regulatory requirements in respect of its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, 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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