

Investor Factbook



2nd August 2019

Key messages

- H1 2019 operating profit before tax of £2,694m vs. £1,826m in H1 2018
- 12.1% RoTE (7.5% ex. Alawwal)
- Net loans to customers increased by 2.5% on an annualised basis⁽¹⁾
- CET1 ratio of 16.0% post ordinary and special dividend accrual, underlying increase of 45bps in H1'19, targeting c.14% by end of 2021
- On track to meet £300m cost reduction target for 2019
- 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⁽²⁾

Capital Return

FY 2018



H1 2019



We continue to maintain the capacity to do a directed buy-back from the Government

We are focused on:



Net loan growth



Continuing cost reduction



Capital generation and return



Customer advocacy

H1 2019 results by business

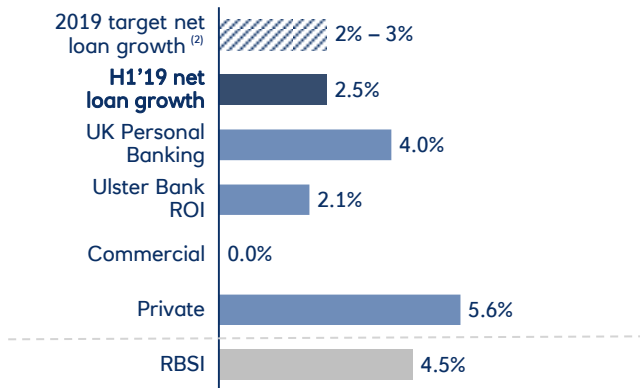
(£bn)	UK PB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽³⁾	Total RBS
Income	2.4	0.3	2.2	0.4	0.3	0.9	0.6	7.1
Operating expenses	(1.2)	(0.3)	(1.3)	(0.2)	(0.1)	(0.7)	(0.3)	(4.1)
Impairment (losses) / releases	(0.2)	0.0	(0.2)	0.0	0.0	0.0	(0.0)	(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	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 (%)⁽⁴⁾	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 (%) ⁽⁵⁾	50.2%	99.3%	56.9%	60.4%	38.4%	72.0%	n.m.	57.2%

⁽¹⁾ H1'19 vs. FY18 net loan growth in Personal, Ulster, Commercial & Private. ⁽²⁾ 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 46 to 47 of the Interim Results 2019. These statements constitute forward-looking statements. ⁽³⁾ Central items & other include unallocated transactions which principally comprise volatile items under IFRS and items related to Alawwal bank merger. ⁽⁴⁾ 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 Rol - 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 (RWAs) incorporating the effect of capital deductions. RBS return on equity is calculated using profit for the period attributable to ordinary shareholders ⁽⁵⁾ Operating lease depreciation included in income (H1 2019 - £68 million; Q2 2019 - £34 million).

H1 2019 update on progress

Net Loan Growth

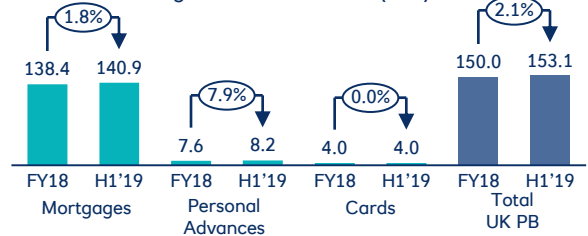
H1 2019 Net Loan Growth⁽¹⁾



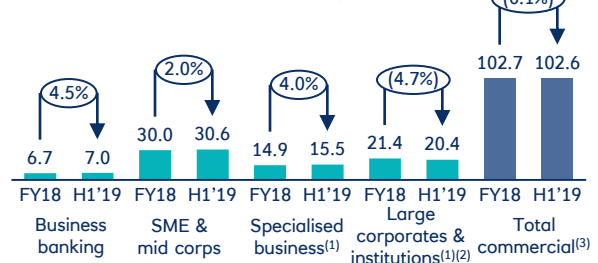
⁽¹⁾ H1'19 vs. FY18 net loan growth presented on an annualised basis in GBPs. ⁽²⁾ Target net loan growth is 2-3% in Personal, Ulster, Commercial & Private

- Mortgages statistics
- Stock share ~10% (H1'19)
 - Flow share ~12% (H1'19)
 - Approval share ~13% (Q2'19)

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



Commercial Gross L&A Growth (£bn)



⁽¹⁾ Adjusted for transfer of transaction services in FY18 of £3.1bn from specialised businesses to large corporates and institutions ⁽²⁾ Includes £2.6bn of Western Europe loans ⁽³⁾ Total commercial also includes Real estate, Commercial – EU divestment and Other

Cost Reduction

- £4.3bn reduction in other expenses since 2014
- £173m other expenses reduction in H1'19 vs. H1'18
- Targeting £300m reduction in 2019
- Targeting £1.2-1.5bn strategic costs in 2019 ⁽¹⁾

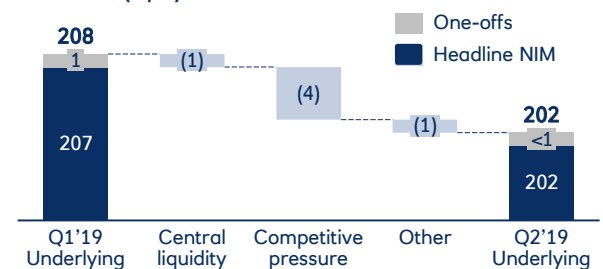
⁽¹⁾ We expect to be towards the lower end of £1.2 to £1.5bn range by the end of 2019.

Impairments

- Impairments expected to increase in 2019 but remain below our through the cycle loss rate assumptions of 30-40 bps at 21bps in H1'19

Net Interest Margin

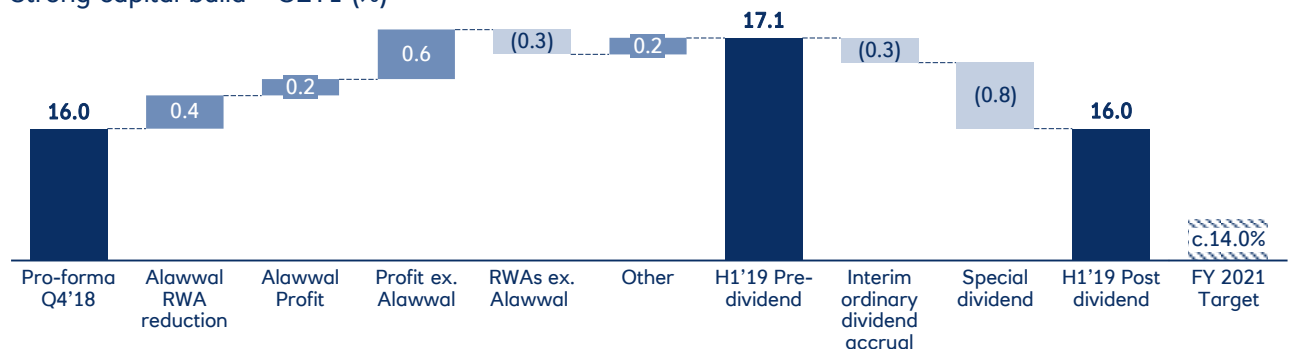
Bank NIM (bps)



- Future considerations include rate sensitivity, reduction in liquidity, asset/liability pressures & economic uncertainty

Capital Generation

Strong capital build – CET1 (%)



- Targeting CET1 of c.14% by the end of 2021
- 2p ordinary dividend and 12p special dividend in H1'19

- Underlying capital generation of 45bps in H1'19
- RWAs £189bn, FY 2019 target of £185 – 190bn

Note: 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.

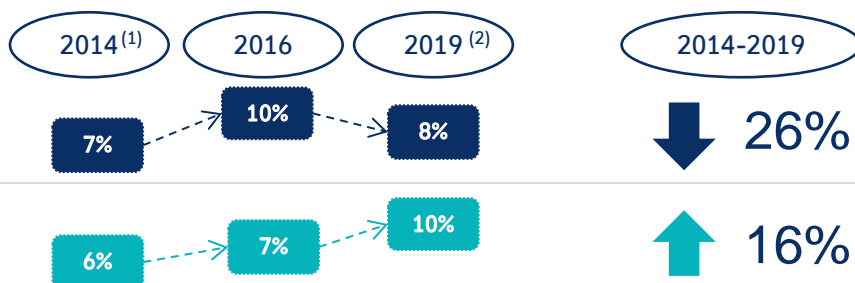
Technology and Innovation

We continue to invest over £1bn a year in technology and innovation while substantially reducing expenses

Change Spend as a % of Other expenses

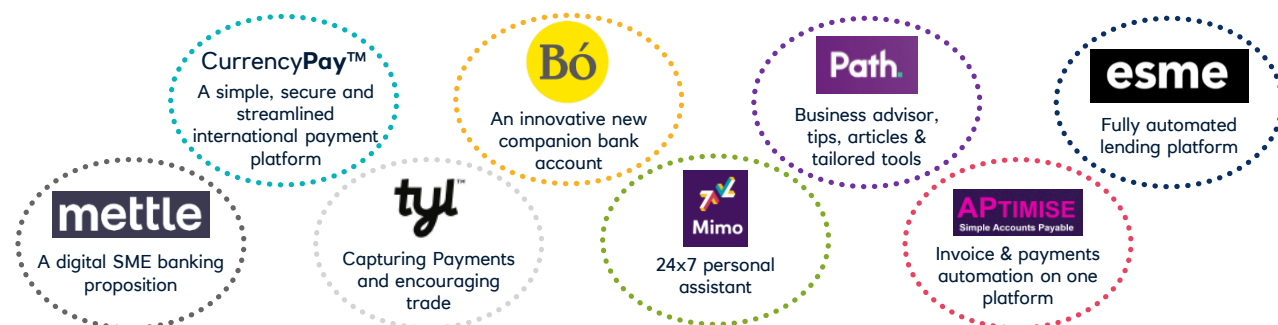
Mandatory & non-ring fenced bank investment

Discretionary, innovation & elements of strategic cost

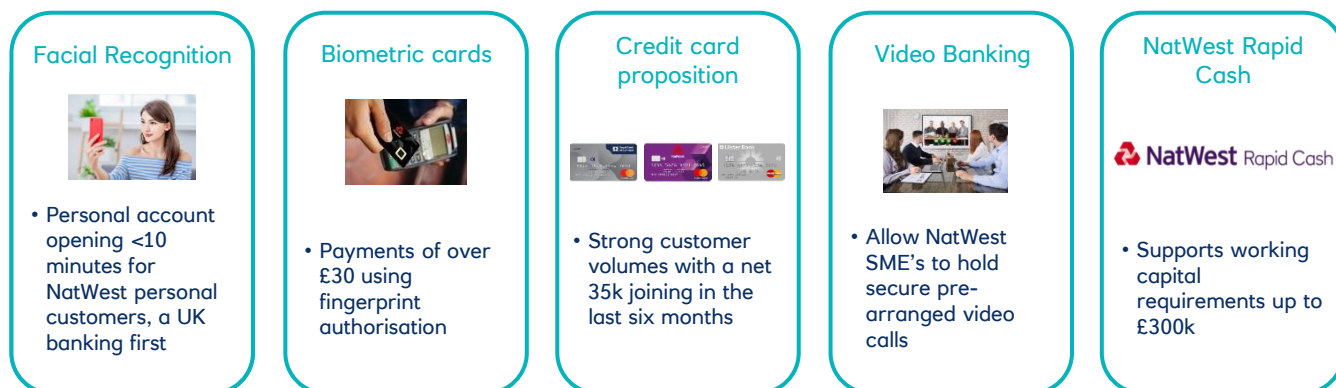


⁽¹⁾ 2014 expenses are ex Citizens Bank ⁽²⁾ 2019 other expenses guidance – 2018 other expenses minus £300m committed cost savings

Delivering innovative solutions for our customers



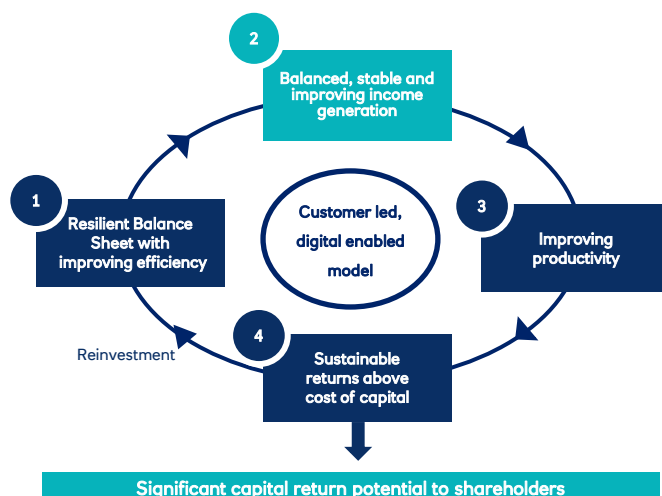
Customer journeys digitally enhanced and made to feel effortless



Investment case:

The bank we are becoming

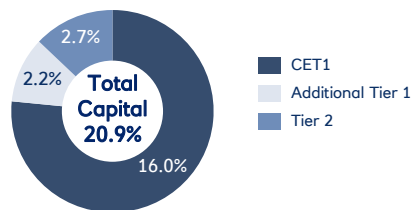
- A leading UK Retail and Commercial Bank with strong non-ring-fenced banks in NatWest Markets and RBS International
- Strong brands and market positions
- Growing in attractive chosen markets
- Track record of cost and risk reduction
- Improving returns and capital generation
- Resilient balance sheet
- Significant distribution potential



Balance Sheet Strength

Key H1 2019 capital, funding and liquidity metrics

Capital stack (% RWA)



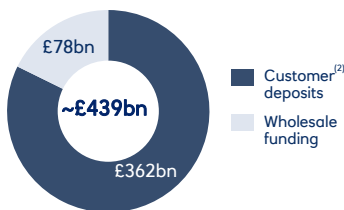
Risk-weighted Assets

£189bn

CRR Leverage Ratio

5.2%

Total funding mix (£bn)⁽¹⁾



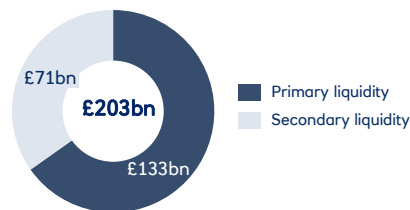
Loan to Deposit Ratio

86%

Short-term Wholesale Funding

£19bn

Liquidity portfolio (£bn)⁽³⁾



Liquidity Coverage Ratio

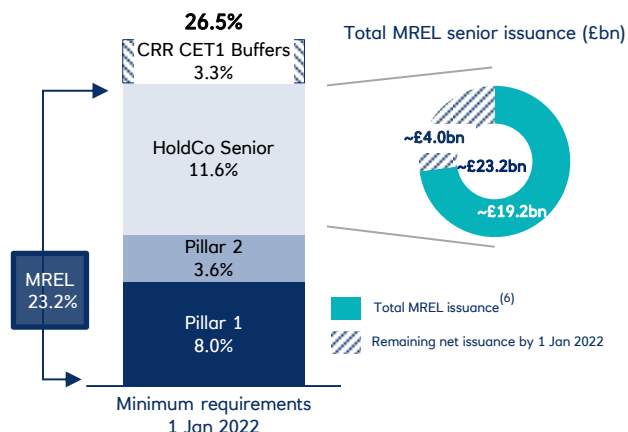
154%

Net Stable Funding Ratio

140%

On track to meet future MREL requirements

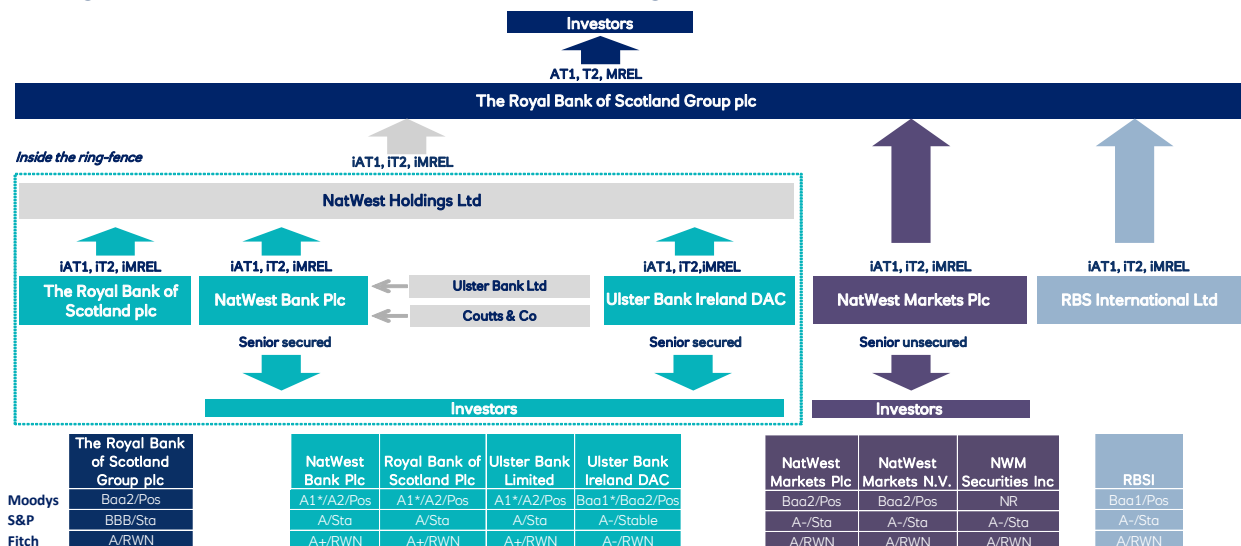
2022 minimum requirements as a % of RWA vs. Total MREL⁽⁴⁾ senior unsecured outstanding (Based on illustrative RWA of ~£200bn)



Good progress against 2019 Issuance Plans



Issuing entity structure⁽⁷⁾ and credit ratings



Note: Figures may not cast due to rounding (1) Funding excluding repos, derivative cash collateral. (2) Customer deposits includes amounts from NBFIs and 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 (4) "MREL" = Minimum required eligible liabilities (5) 3yr and 5yr Yen transactions launched in June but did not settle until July 2019 and therefore not included in the £3.5bn issuance for H1 2019. (6) Represents the LAC value of RBS Group plc senior unsecured issuance as at H1 2019 (7) 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.

*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