

H1 2018 Results

3rd August

Howard Davies Chairman



Ross McEwan

Chief Executive Officer



Key Messages

- Good performance in a tough operating environment
- H1 2018 Profit Before Tax of £1.8 bn, and Attributable Profit of £888m
- Announcing an intention to declare 2p interim dividend⁽¹⁾
- Building to a payout ratio of around 40% over time
- Committed to <50% cost:income ratio and 12%+ ROTE 2020 targets
- Focused on improving customer service - physical to digital shift continues at pace

⁽¹⁾ Declaration of the interim dividend is subject to the timing of the finalisation of the previously announced civil settlement in principle with the US Department of Justice (DOJ) in relation to the DOJ's investigation into RBS's issuance and underwriting of US RMBS, the timing of which is uncertain. We expect to finalise the settlement with the DOJ and will make a further announcement at the relevant time.

Group financial performance

Delivering on our strategy is driving returns for shareholders

Stable income	Reducing cost	Strong capital and delivering returns
<p>Excluding NatWest Markets, central items and one-offs income is stable on H1 2017⁽¹⁾</p> <p>NatWest Markets income reduced £175m, or 19.5%, on H1 2017 reflecting reduced income in the core Rates business</p>	<p>£133m Other expenses reduction Down 3.6% on H1 2017⁽²⁾</p> <p>5k Fewer FTEs Down 6.7% on H1 2017</p>	<p>16.1% H1 2018 CET1 Ratio Up 110bps on Q1 2018⁽³⁾</p> <p>5.3% H1 2018 Group ROTE (~10% ex. net RMBS charge)</p> <p>£888m H1 2018 Attributable profit Down £51m on H1 2017</p> <p>286p Fully diluted Tangible Net Asset Value</p>

⁽¹⁾ Total income decreased by £217m, or 3.1% compared with H1 2017 ⁽²⁾ Excluding a VAT release in 2017 ⁽³⁾ 16.2% excluding the accrual of the intended interim dividend. 110bps capital build excludes the impact of the £2 billion pre-tax pension contribution, the civil settlement in principle with the US Department of Justice and the accrual of the intended interim dividend

Supporting our customers

Helping UK and Republic of Ireland businesses and homeowners



£13.6bn gross new mortgage lending growth in UKPBB since Dec 17



Total customer deposits in UK PBB up 4.3% on H1 2017



Over 1bn mobile app logins, up 20% on H1 2017



SME Lending in Business Banking up 1.5% on H1 2017



NatWest Markets helped customers raise c.£130bn in debt capital markets in H1 2018⁽¹⁾



Over £90bn in net loans and advances in Commercial Banking



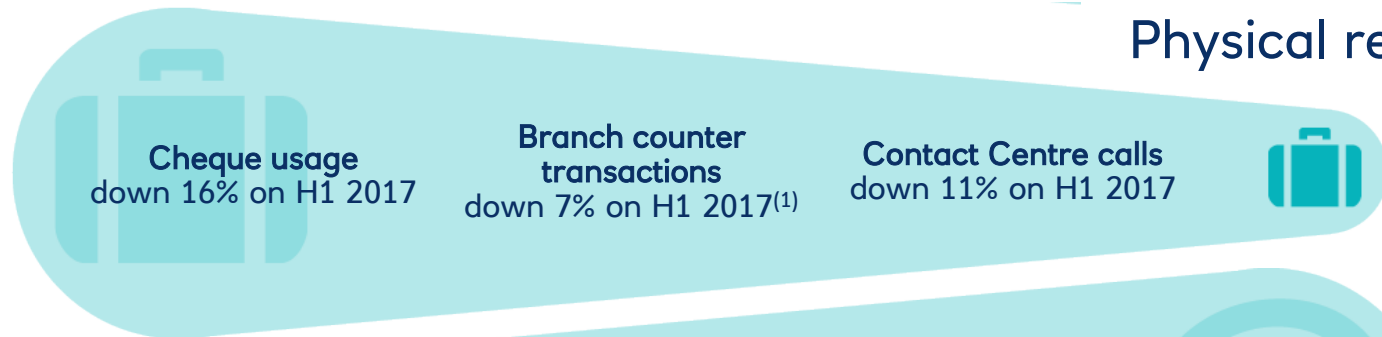
19m customers supported across the UK

⁽¹⁾ NatWest Markets has acted as Active Bookrunner for Issuers across Corporate, FI and SSA sectors, helping them to raise c. £130bn in debt capital markets across H1 2018

Shift from physical to digital continues at pace

Continued focus on investment in digital channels

Physical reduction



Digital growth

Protect and grow income

Lower cost, more resilient, and better controlled

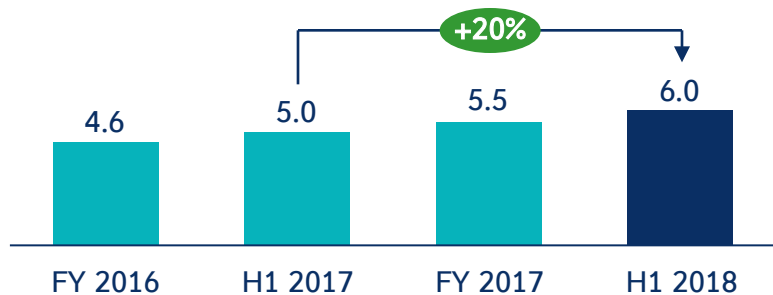
Better customer experience

⁽¹⁾ Based on volumes from May 2017 to May 2018

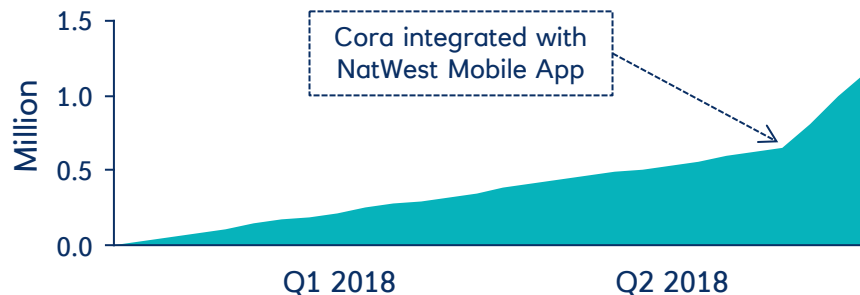
Improving the core business

Digital strategy supports cost reduction and improves customer experience

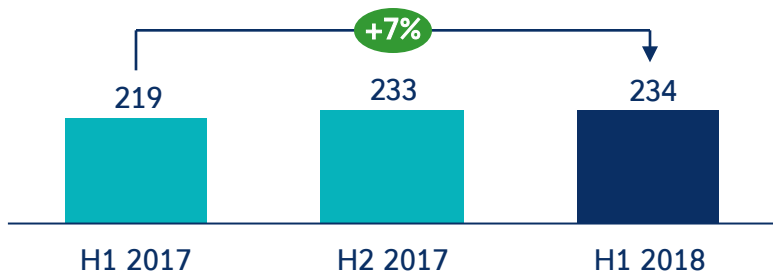
UK PBB Mobile App users (m)



Conversations with Cora



Payments via Bankline and Direct Channels⁽¹⁾ (£bn)



- ✓ Award winning NatWest Mobile App
- ✓ 41% of customers migrated to New Bankline and Bankline Mobile pilot launched
- ✓ A.I. transforming customer service and lowering costs

⁽¹⁾ Average monthly payment value across Bankline and Direct channels for all brands

Delivering new innovative solutions

Applying what we learn back into the core bank



Cloud based accounting software

- ✓ Voted #1 accounting software for SMEs
- ✓ 60k businesses using the software
- ✓ Available on both Mobile and Online

ESME



New Commercial lending platform

- ✓ £10-£150k loans
- ✓ Decision in 10 mins
- ✓ Funds within the hour
- ✓ Latest NPS +78

CurrencyPay



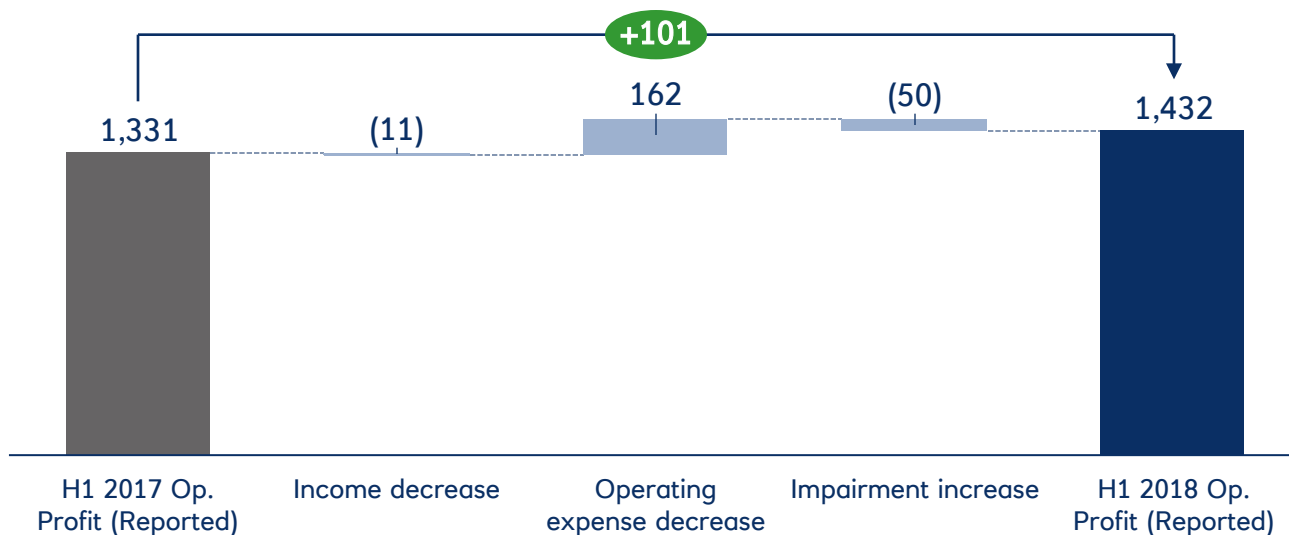
Piloting new Foreign Exchange product

- ✓ Real-time rates
- ✓ All major global currencies
- ✓ Simple to use
- ✓ Direct access to an FX expert

UK Personal and Business Banking

Good operating performance despite margin pressure in mortgages

UK PBB (£m)



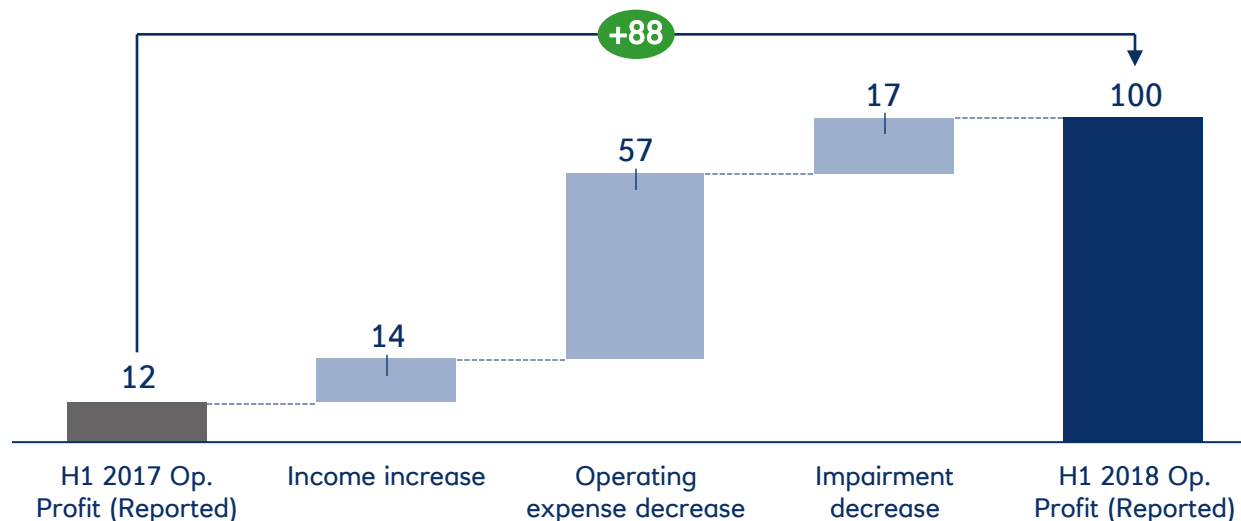
Operating profit up £101m

- **Total income** decreased £11m, or 0.3%
- **Operating expenses** decreased £162m or 9.3%
- **Impairment** charge £50m higher, or 52%

Ulster Bank Republic of Ireland

Improved credit metrics across all portfolios

Ulster Bank RoI (€m)



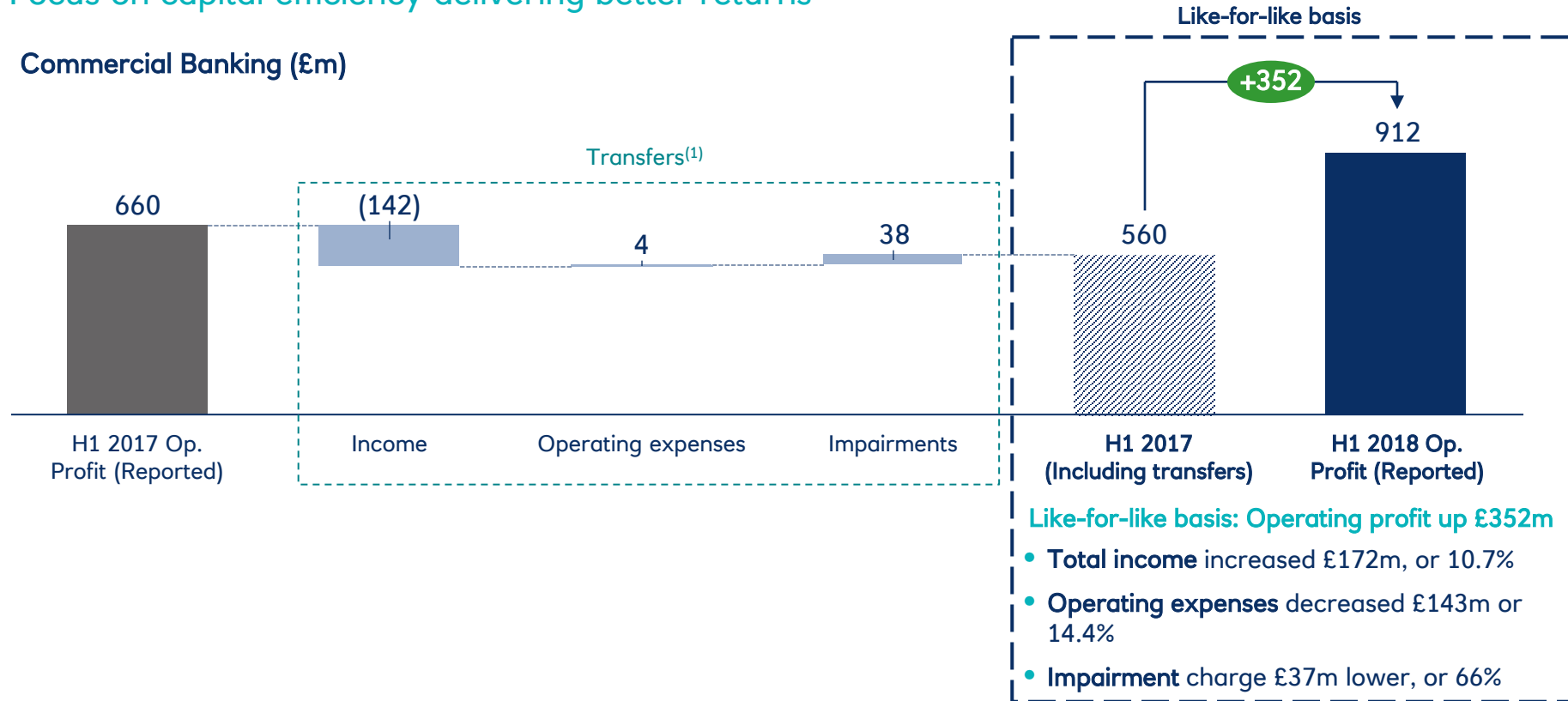
Operating profit up €88m

- **Total income** increased €14m, or 4.1%
- **Operating expenses** decreased €57m or 16.7%
- **Net Impairment release** €30m compared to €13m release in H1 2017

Commercial Banking

Focus on capital efficiency delivering better returns

Commercial Banking (£m)

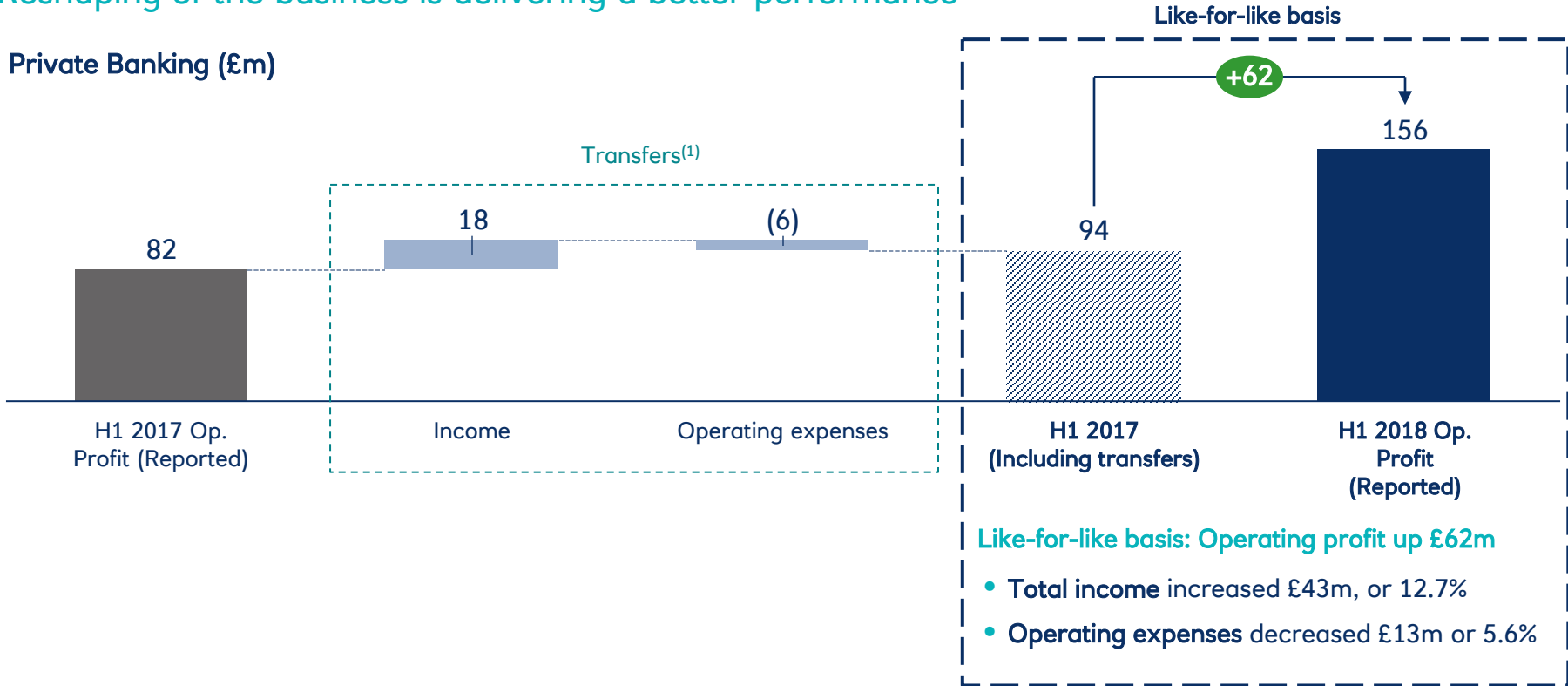


(1) Impact of net transfers with NatWest Markets and transfers out to RBS International

Private Banking

Reshaping of the business is delivering a better performance

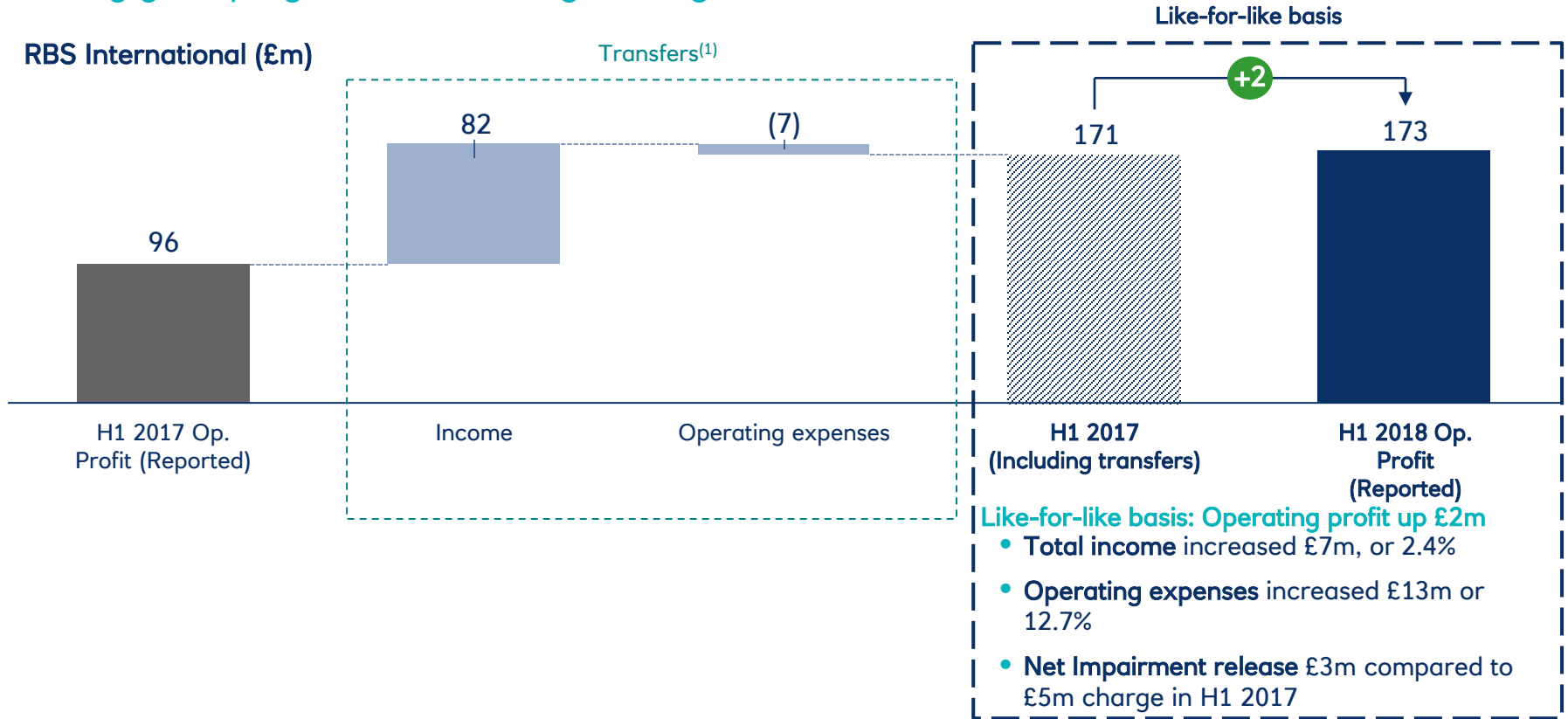
Private Banking (£m)



⁽¹⁾ Impact of transfers in from UK PBB and transfers out to RBS International

RBS International

Making good progress towards ring-fencing structure

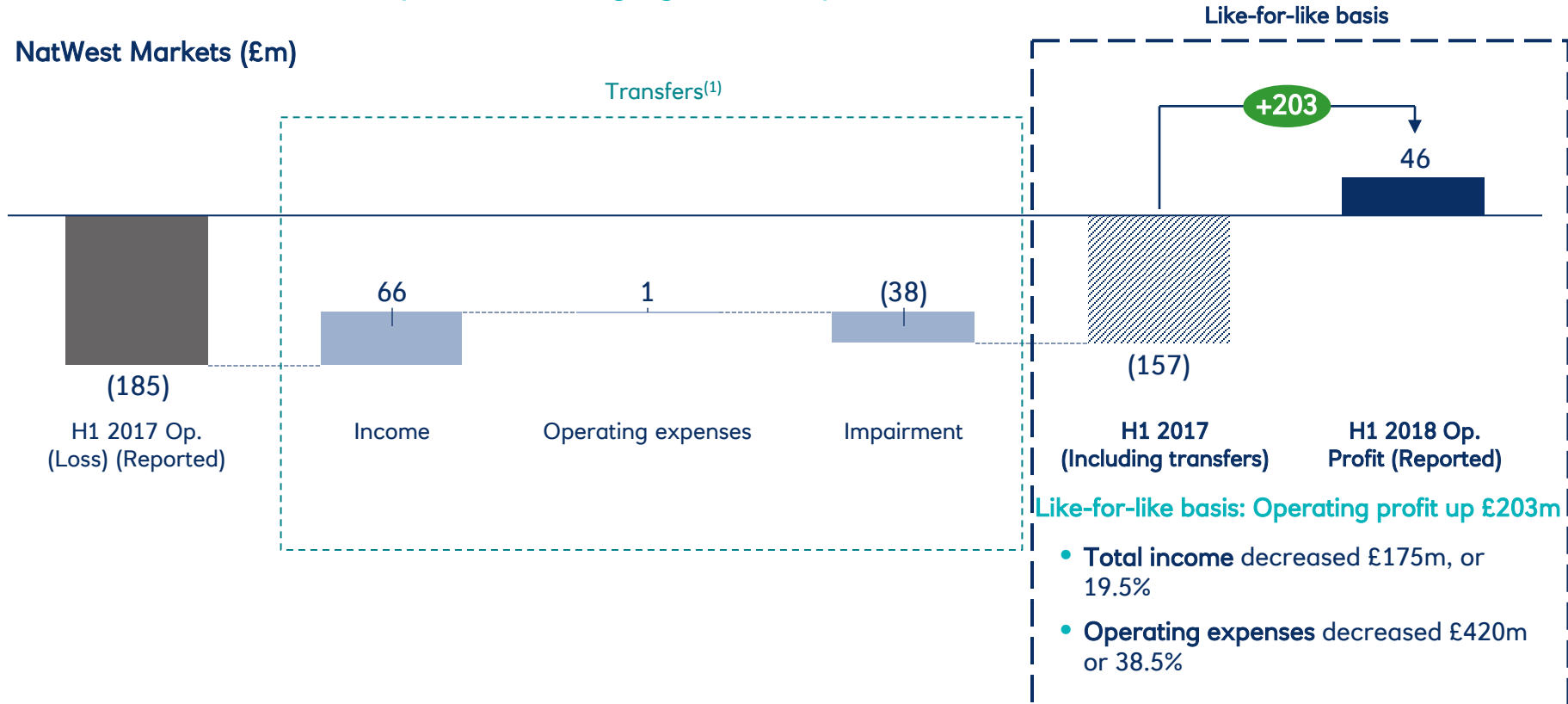


⁽¹⁾ Impact of transfers in from Commercial Banking and Private Banking

NatWest Markets

Good customer flows despite a challenging second quarter

NatWest Markets (£m)

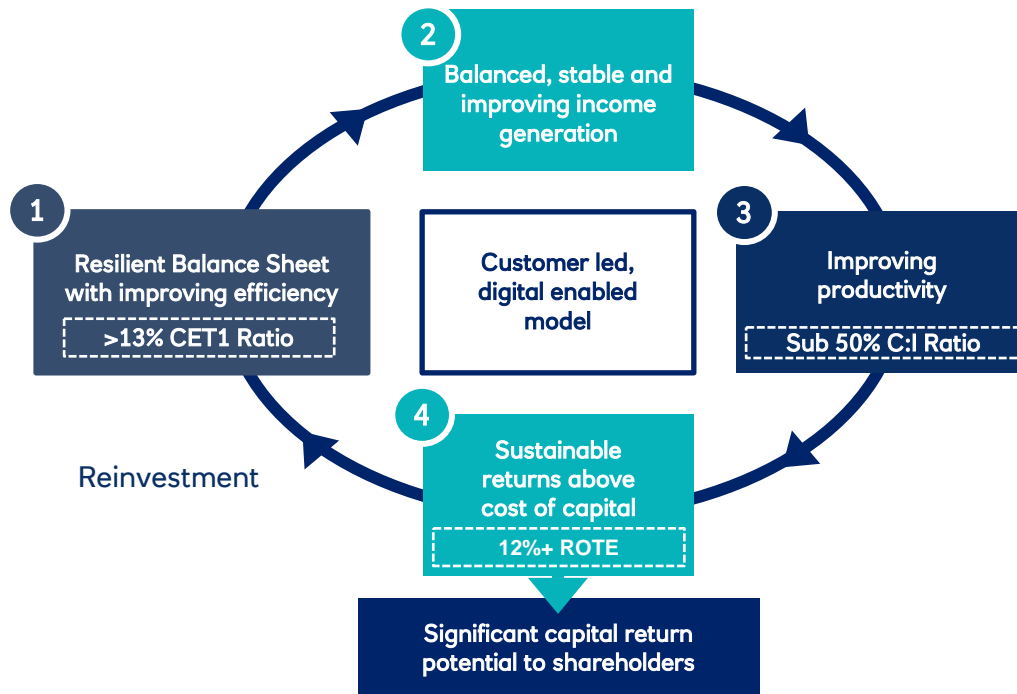


⁽¹⁾ Impact of net transfers with Commercial Banking

2020 investment case⁽¹⁾

The bank we are becoming

- A leading UK Retail and Commercial Bank with a focused Markets division
- Strong brands and market positions
- Growing in attractive chosen markets
- Track record of cost and risk reduction – sub 50% C:I ratio
- Improving returns and capital generation – 12%+ ROTE
- Resilient balance sheet – >13% CET1 Ratio
- Significant distribution potential



⁽¹⁾ 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. These statements constitute forward looking statements, please see Forward Looking Statements at the end of this presentation.

Ewen Stevenson

Chief Financial Officer



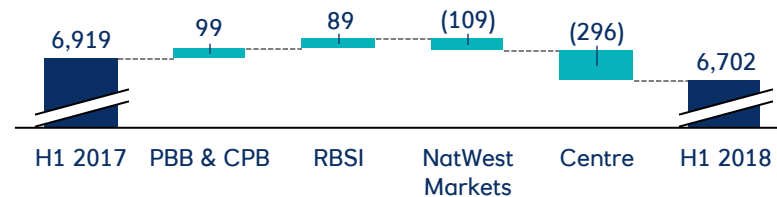
Summary financials

vs. H1 2017

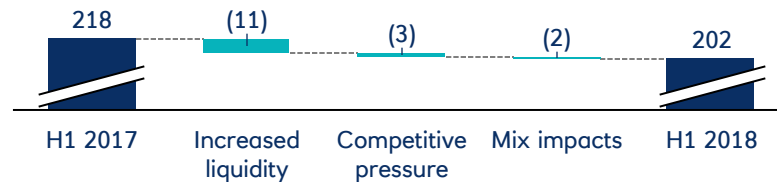


Income	£6.7bn (3.1%)
Operating expenses	£4.7bn (2.4%)
Operating profit	£1.8bn (6.4%)
Attributable profit	£0.9bn (5.4%)
Net interest margin	2.02% (16bps)
CET1 ratio (post dividend)	16.1% 130bps
TNAV per share ⁽²⁾	286p (12p)
Return on tangible equity	5.3% (30bps)
Cost:Income ratio	70.4% 60bps

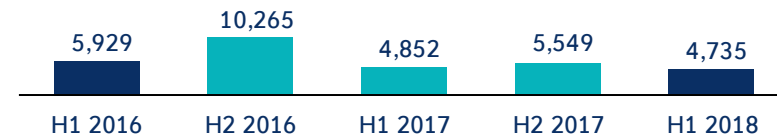
Income (£m)⁽¹⁾



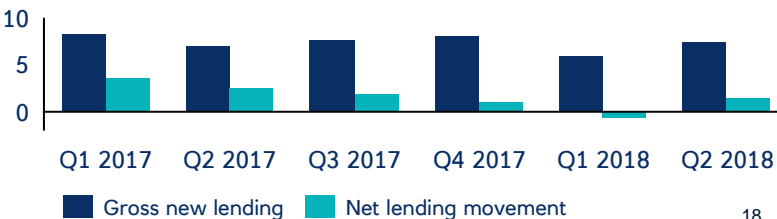
NIM (bps)



Costs (£m)



Stock and flow share (lending, £bn)



⁽¹⁾ Excluding transfers ⁽²⁾ TNAV per ordinary share on a fully diluted basis

2020 targets⁽¹⁾

Our strategic plan targets sustainable returns based on...

12%+ ROTE

Sub-50%
Cost:Income Ratio

This will be based off...

CET1 ratio in
excess of 13%

UK income ~90%

Retail &
Commercial RWAs
~85%

⁽¹⁾ 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 "Summary Risk Factors" on pages 48 and 49 of the H1 2018 IMS and the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017.

Capital distribution⁽¹⁾

RWA outlook	<ul style="list-style-type: none"> • Expect RWAs to reduce by £5-10bn (vs. FY 2017) by FY 2018 • Mortgage risk weighting expected to increase RWAs by £12bn in H2 2020 • Basel 3 amendments currently assumed to inflate RWAs by 10%, or around £20bn in 2021/2022
Dividends	<ul style="list-style-type: none"> • Announced intention to declare an interim dividend of 2p per ordinary share⁽²⁾ • Ordinary dividend payout ratio to build to around 40% of attributable profits • We will consider further distributions in addition to regular dividend pay-outs⁽³⁾

⁽¹⁾ This represents management's current expectations which are subject to change, including as a result of the factors described in the "Summary Risk Factors" on pages 48 and 49 of the H1 2018 IMS and the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017

⁽²⁾ Declaration of the interim dividend is subject to the timing of the finalisation of the previously announced civil settlement in principle with the US Department of Justice (DOJ) in relation to the DOJ's investigation into RBS's issuance and underwriting of US RMBS

⁽³⁾ Subject to passing the 2018 Bank of England Stress Test. We would not expect any such additional distributions until 2019

Summary



Attributable profit ex. US RMBS £1,690m for H1 2018



PBB & CPB income up, costs down, RWAs down, major legacy issues largely resolved



On track to deliver our 2020 financial targets



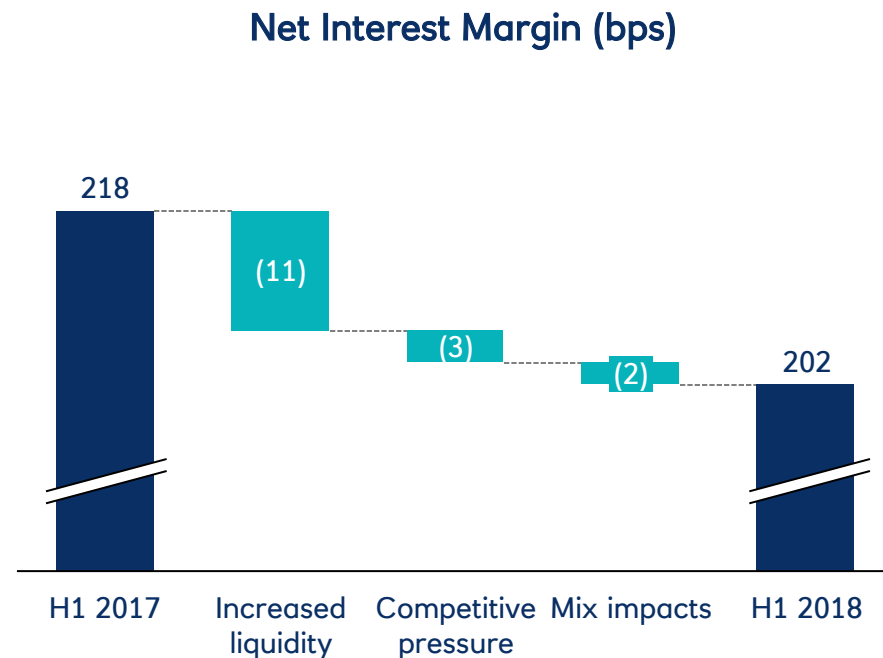
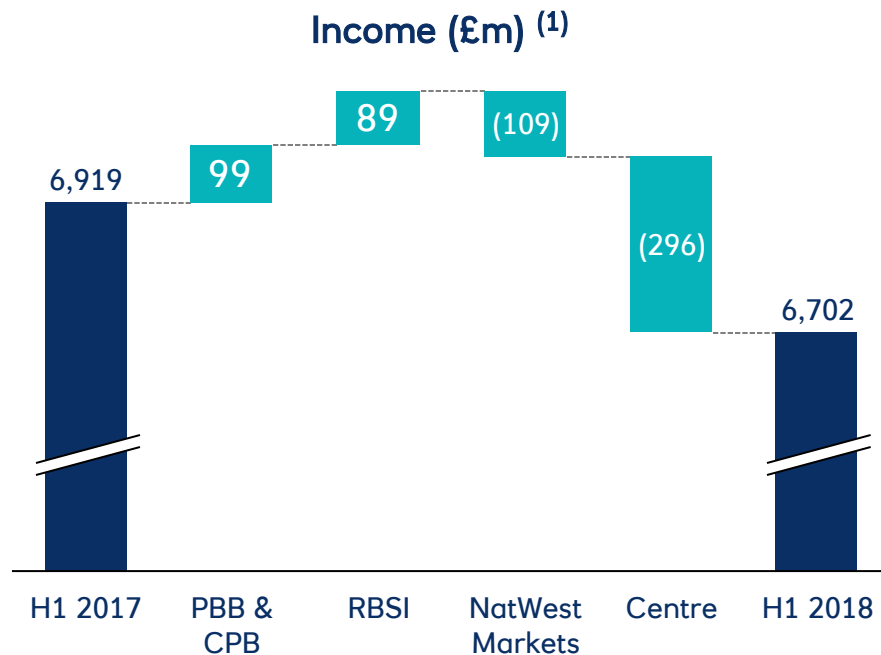
Announcing intention to declare an interim dividend, subject to the timing of the finalisation of reaching the civil settlement in principle with the DOJ

Appendix



Income H1 2018

Resilient Retail & Commercial performance in tougher conditions



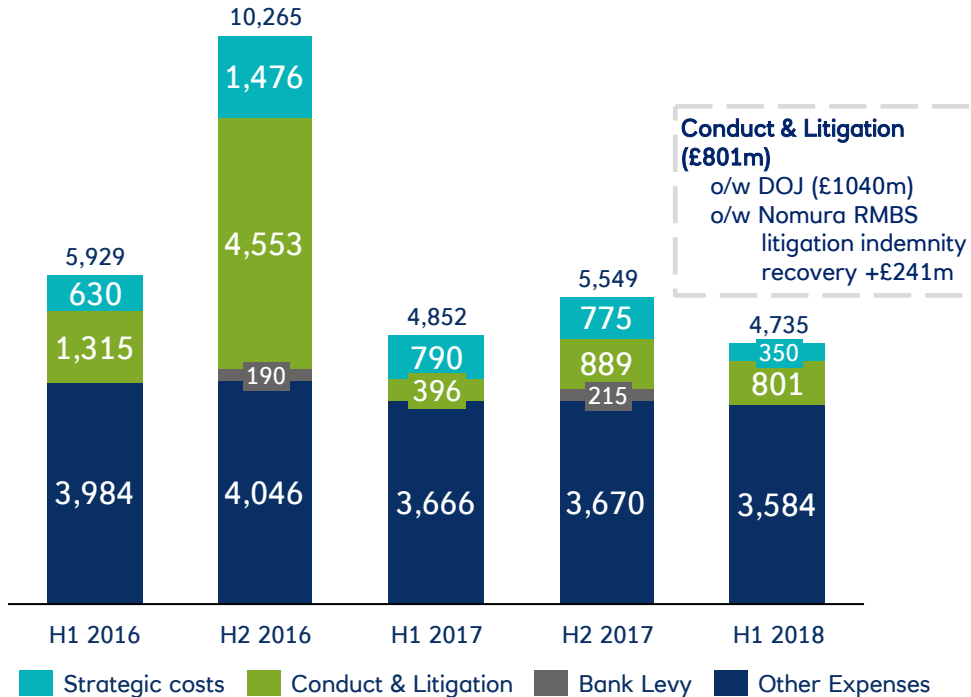
- Total income decreased by £217m, or 3.1% largely driven by a £265m movement in IFRS volatility and a £156m gain on disposal of RBS's stake in Vocalink in H1 2017

⁽¹⁾ Excluding transfers

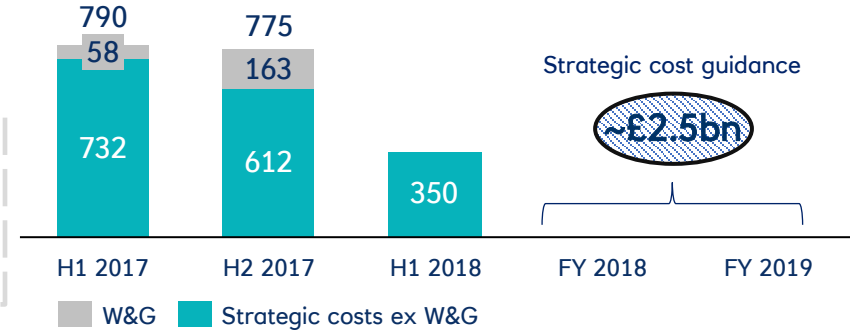
Costs H1 2018

Continued gentle run-down of underlying costs

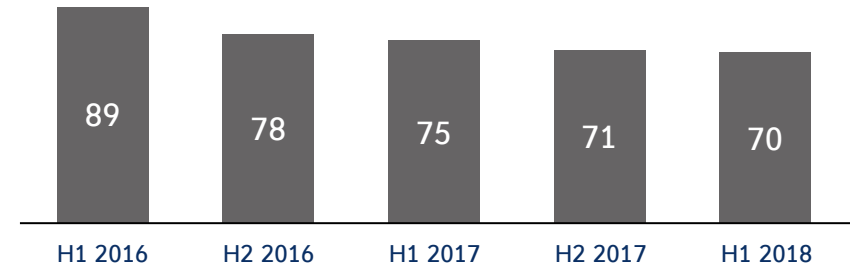
Operating costs (£m)



Strategic costs (£m)



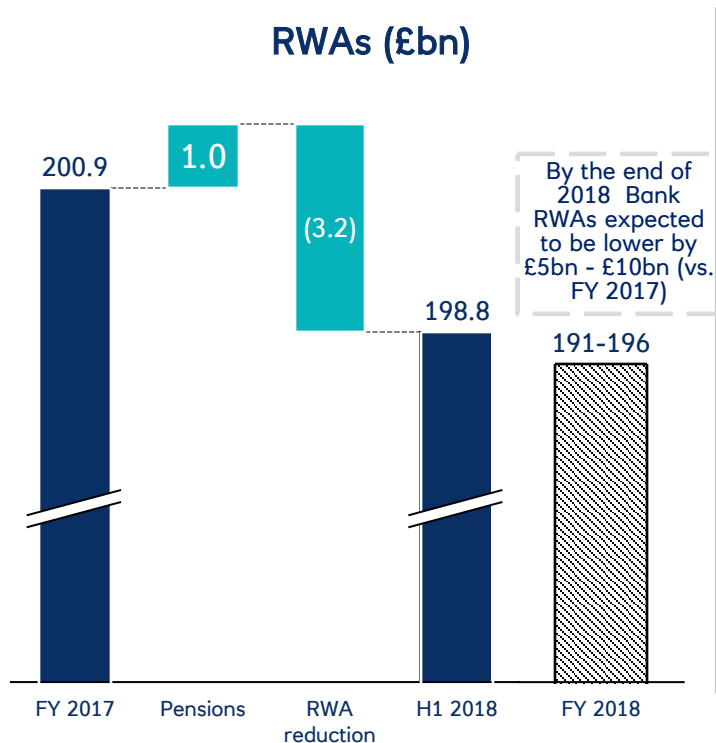
FTE profile ('000s)



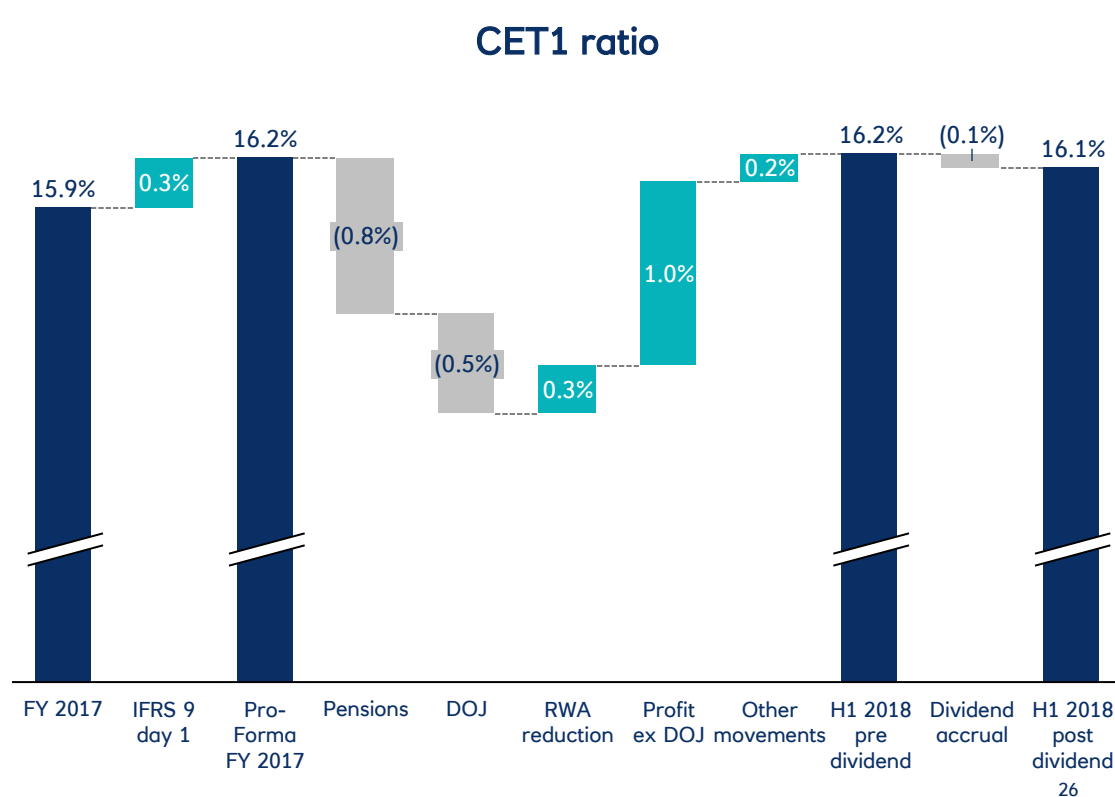
RWAs and capital generation

Continued RWA reductions support strong capital build

RWAs (£bn)



CET1 ratio



H1 2018 results by business

(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	Total RBS
Income	3.2	0.3	1.8	0.4	0.3	0.7	0.1	6.7
Operating expenses	(1.6)	(0.3)	(0.8)	(0.2)	(0.1)	(0.7)	(1.0)	(4.7)
Impairment (losses) / releases	(0.1)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.1)
Operating profit	1.4	0.1	0.9	0.2	0.2	0.0	(1.0)	1.8
Funded Assets	192.3	24.8	141.8	20.9	29.8	134.5	53.1	597.2
Net L&A to Customers	161.9	19.1	90.7	13.8	13.0	21.2	0.3	320.0
Customer Deposits	182.2	17.6	96.4	26.4	28.5	14.8	0.4	366.3
RWAs	43.4	16.8	71.7	9.4	6.8	50.1	0.6	198.8
LDR	89%	109%	94%	52%	46%	143%	n.m.	87%
ROE (%)⁽²⁾	29%	7%	14%	16%	26%	(1%)	n.m.	5.3%
Cost : Income ratio (%)⁽³⁾	50%	81%	46%	59%	40%	93%	n.m.	70%

⁽¹⁾ Central items includes unallocated transactions which principally comprises RMBS charges and volatile items under IFRS

⁽²⁾ RBS's CET 1 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 of 14% (Ulster Bank RoI), 11% (Commercial Banking), 13.5% (Private Banking), 16% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders

⁽³⁾ Operating lease depreciation included in income.

Notable items income and expenses

(£m)	H1 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	H1 2017	Q2 2017	Q1 2017
Total Income	6,702	3,400	3,302	3,057	3,157	6,919	3,707	3,212
IFRS volatility in Central items	(111)	17	(128)	(173)	21	154	172	(18)
UK PBB Debt Sale	26	-	26	9	168	8	-	8
FX (loss)/gain in Central items	4	19	(15)	(8)	(67)	(108)	(56)	(52)
Commercial Fair Value and Disposal (loss)/gain in income	192	115	77	(46)	52	-	-	-
NatWest Markets Legacy Business Disposal (loss)/gain in income ⁽¹⁾	(57)	(41)	(16)	(163)	(446)	(103)	(53)	(50)
Own Credit Adjustments	39	18	21	9	(5)	(73)	(44)	(29)
Gain/(Loss) on redemption of own debt	(0)	(0)	-	-	-	(7)	(9)	2
Strategic disposals	-	-	-	191	-	156	156	-
o/w Vocalink Gain	-	-	-	-	-	156	156	-
o/w Euroclear Gain ⁽¹⁾	-	-	-	161	-	-	-	-
Notable Items in Total Income - Total	93	128	(35)	(181)	(277)	27	166	(139)
Total Expenses	(4,735)	(2,724)	(2,011)	(3,406)	(2,143)	(4,852)	(2,399)	(2,453)
VAT recovery in Centre	-	-	-	6	29	51	-	51
Bank Levy	-	-	-	(215)	-	-	-	-
Strategic Costs	(350)	(141)	(209)	(531)	(244)	(790)	(213)	(577)
Litigation & Conduct	(801)	(782)	(19)	(764)	(125)	(396)	(342)	(54)
o/w US RMBS	(802)	(803)	1	(442)	-	(222)	(222)	-
o/w DOJ	(1,040)	(1,040)	-	-	-	-	-	-
o/w Nomura RMBS Litigation Indemnity Recovery	241	241	-	-	-	-	-	-
o/w PPI	-	-	-	(175)	-	-	-	-
o/w Ulster Bank Rol	(17)	(8)	(9)	(135)	(1)	(33)	(33)	-
Notable Items in Total Expenses – Total	(1,151)	(923)	(228)	(1,504)	(340)	(1,135)	(555)	(580)

⁽¹⁾ The Euroclear gain in strategic disposals includes £26m which arose in NatWest Markets legacy business in Q4 2017. This amount is therefore not shown within NatWest Markets legacy business disposal losses through income, but forms part of overall NatWest Markets legacy business disposal losses

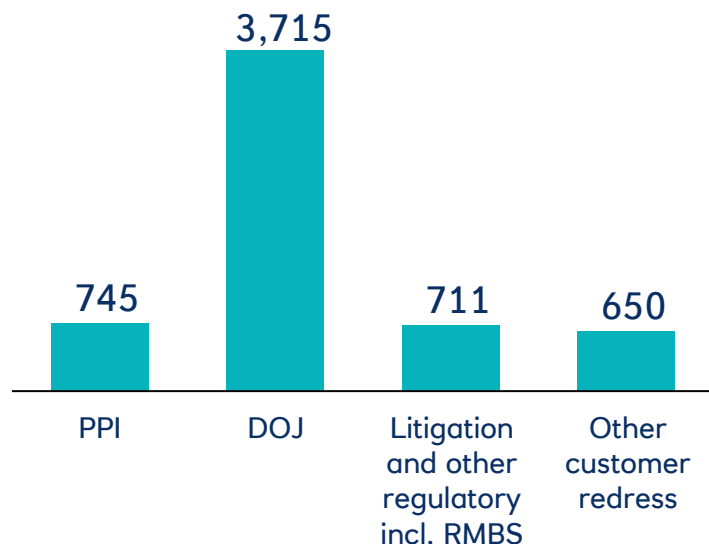
Diluted Tangible Net Asset Value (TNAV) movements



	Amount (£m)	Shares in issue (m)	TNAV per share (p)	Amount (£m)	Diluted shares in issue (m)	Diluted TNAV per share (p)
Q1 2018 TNAV	35,644	11,993	297p	35,644	12,075	295p
Profit for the period post tax	201		2p	201		2p
Less: loss to NCI / other owners	(105)		(1p)	(105)		(1p)
Other comprehensive Income	(1,257)		(10p)	(1,257)		(10p)
<i>o/w AFS</i>	71		1p	71		1p
<i>o/w Cashflow hedging gross of tax</i>	63		1p	63		1p
<i>o/w FX</i>	91		1p	91		1p
<i>o/w Remeasurement of net defined pension liability</i>	(2,000)		(17p)	(2,000)		(17p)
<i>o/w OCA</i>	34		-	34		-
<i>o/w Tax</i>	484		4p	484		4p
Less: OCI attributable to NCI / other owners	(5)		-	(5)		-
Proceeds of share issuance	91	35	1p	91	35	1p
Other movements	(5)		(2p)	(5)	(15)	(1p)
Q2 2018 TNAV	34,564	12,028	287p	34,564	12,095	286p
Change	(1,080)	35	(10p)	(1,080)	-	(9p)

Litigation and conduct

End of H1 2018 provisions (£m)



Total provisions for liabilities and charges: £7.0bn⁽¹⁾ as at H1 2018

Comments

US RMBS

- Settlement in principle reached with DOJ for US RMBS
- Incremental charge of £1,040m taken in Q2 2018
- Nomura RMBS litigation indemnity recovery of £241m

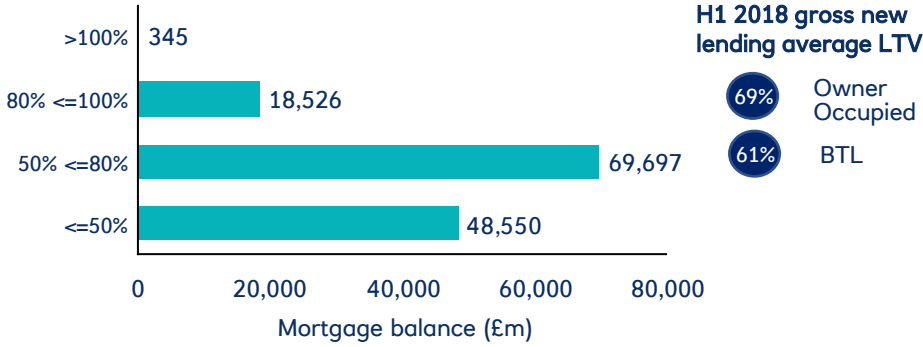
Payment Protection Insurance

- RBS has made provisions totalling £5.1bn to date for PPI claims. £4.4 billion had been utilised by 30 June 2018
- £156m of provisions utilised in the quarter
- £745m balance sheet provisions (including Plevin) remaining

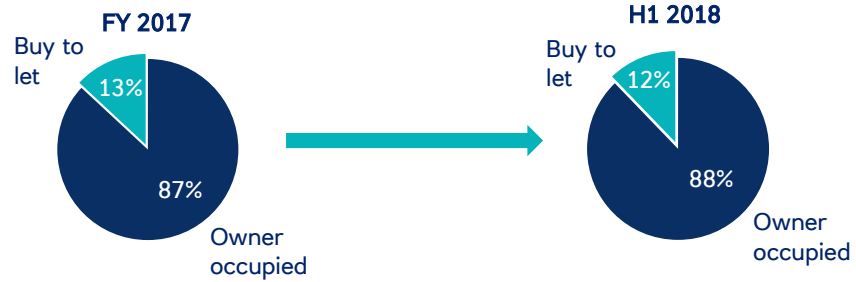
⁽¹⁾ Includes 'other' provisions as per Note 4 of the Interim 2018 results announcement

Spotlight on UK PBB Mortgages

Book LTV

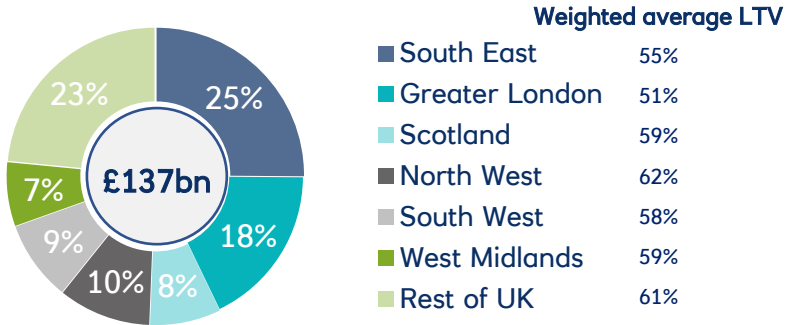


BTL vs. Owner occupied mix

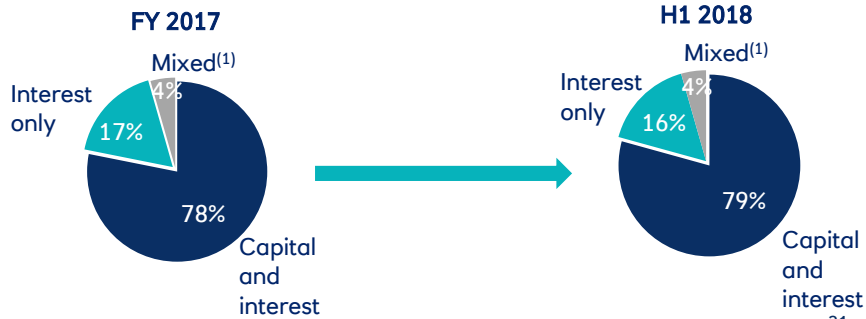


Geographical split

Regional spread by value



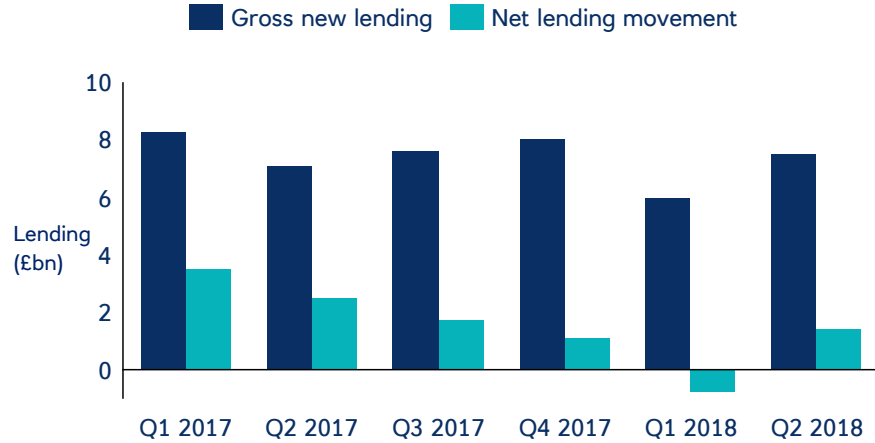
Interest only vs. Capital & interest



⁽¹⁾ Includes accounts which have an interest only sub-account and a capital and interest sub-account to provide a more comprehensive view of interest only exposures.

Spotlight on UK PBB Mortgages

New business flow and stock movements



2 year and 5 year swap rates



Digital progress

Share of mortgage switching via digital channels



Share of Paperless mortgage applications

~40% of all mortgages applications were paperless in H1 2018

Net interest income and cash flow hedging reserve sensitivity



Structural and product hedge

30 June 2018

	Incremental income (£m)	Average notional (£bn)	Overall yield (%)
Equity structural hedging	257	28	2.40%
Product structural hedging	225	108	1.01%
Total	482	136	1.30%

NII sensitivity

30 June 2018 (£m)	Total (£m)
+25bps	175
-25bps	(178)
+100bps	758
-100bps	(706)

Change in NII – 25bps upward shift in yield curves

30 June 2018 (£m)	Year 1	Year 2	Year 3
Structural hedges	30	96	163
Managed margin ⁽¹⁾	153	180	184
Other	(8)	-	-
Total	175	276	347

AFS reserve and Cashflow hedge reserve

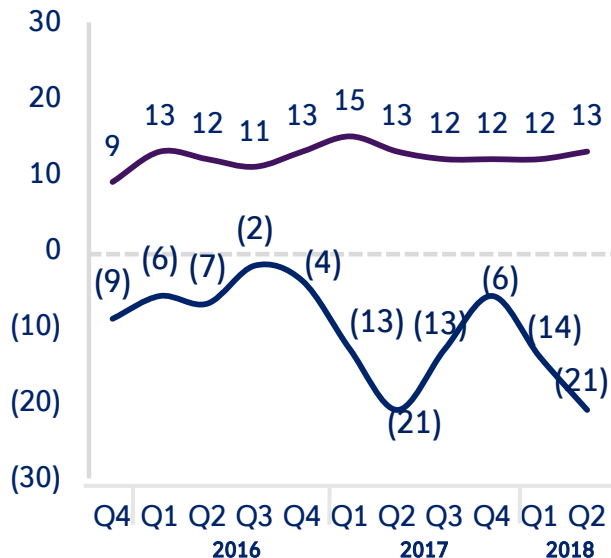
FY 2017 (£m)	Available-for-sale reserve (£m)	Cashflow hedge reserve (£m)	Total (£m)
+25bps	(41)	(443)	(484)
-25bps	42	448	490
+100bps	(164)	(1,744)	(1,908)
-100bps	167	1,819	1,986

⁽¹⁾ Primarily current accounts and savings accounts.

Net Promoter Scores across our brands

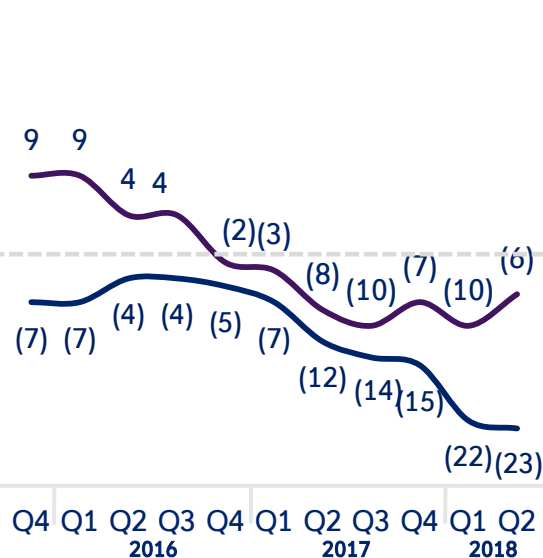
Personal Banking⁽¹⁾

NatWest remains stable. Branch closures impacting Royal Bank of Scotland.



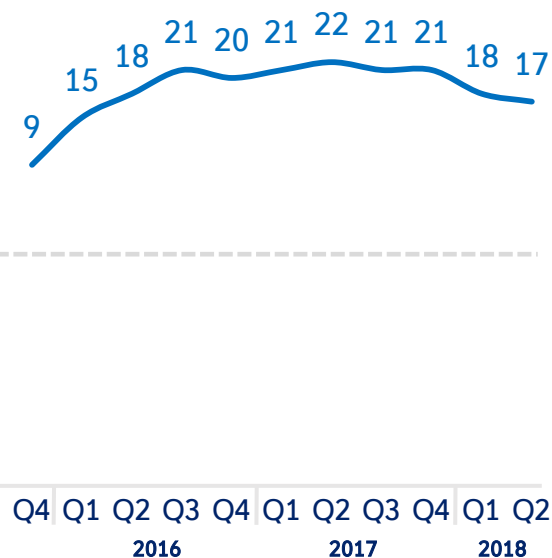
Business Banking⁽²⁾

Continued impact from operating model changes



Commercial Banking⁽³⁾

Remains ahead of the rest of the market



— Royal Bank of Scotland (Scotland)

— NatWest (England & Wales)

— RBSG (GB)

⁽¹⁾ Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3103) Royal Bank of Scotland (Scotland) (432). Based on the question: "How likely is it that you would recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?" Base: Claimed main banked current account customers.

⁽²⁾ Source: Charterhouse Research Business Banking Survey, Q2 2018. Based on interviews with businesses with an annual turnover up to £2 million. Latest base sizes: NatWest England & Wales (1258), RBS Scotland (432). 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, Q2 2018. Commercial £2m+ in GB (RBSG sample size, excluding don't knows: 891). 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.

Fixed Income Investor Presentation

H1 2018 Results

3rd August 2018

Katie Murray

Deputy CFO



Summary financials

vs. H1 2017



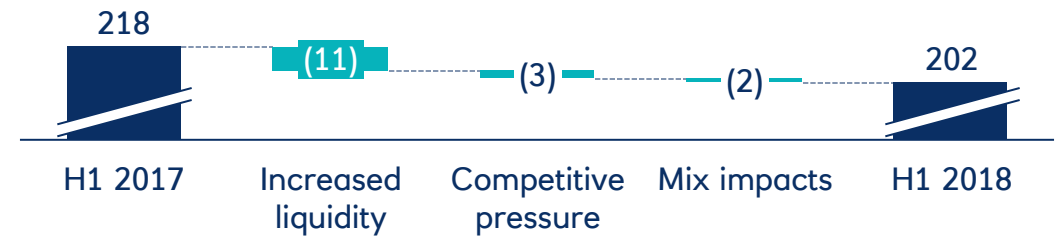
Income	£6.7bn (3.1%)
Operating expenses	£4.7bn (2.4%)
Operating profit	£1.8bn (6.4%)
Attributable profit	£0.9bn (5.4%)
Net interest margin	2.02% (16bps)
CET1 ratio (post dividend)	16.1% 130bps
TNAV per share ⁽²⁾	286p (12p)
Return on tangible equity	5.3% (30bps)
Cost:Income ratio	70.4% 60bps

⁽¹⁾ Excluding transfers ⁽²⁾ TNAV per ordinary share on a fully diluted basis

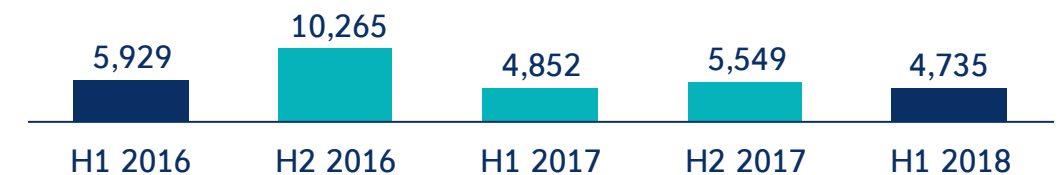
Income (£m)⁽¹⁾



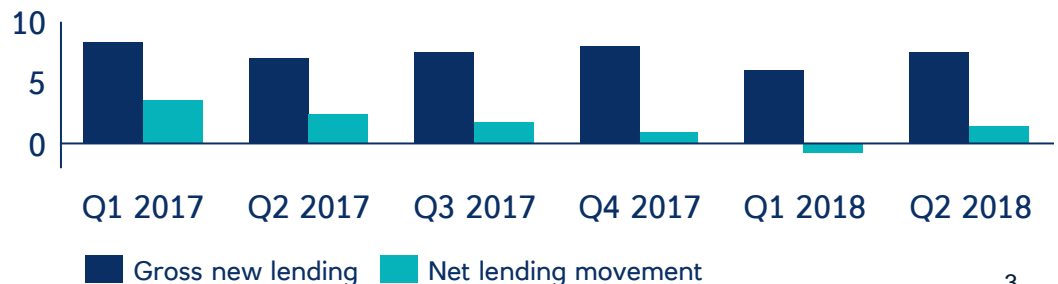
NIM (bps)



Costs (£m)



UK PBB mortgage lending (£bn)



Capital outlook⁽¹⁾

RWA outlook	<ul style="list-style-type: none"> • Expect RWAs to reduce by £5-10bn (vs. FY 2017) by FY 2018 • Mortgage risk weighting expected to increase RWAs by £12bn in H2 2020 • Basel 3 amendments currently assumed to inflate RWAs by 10%, or around £20bn in 2021/2022
CET1	<ul style="list-style-type: none"> • CET1 ratio 2020 target in excess of 13%⁽¹⁾
Dividends	<ul style="list-style-type: none"> • Announced intention to declare an interim dividend of 2p per ordinary share⁽²⁾ • Ordinary dividend pay-out ratio to build to around 40% of attributable profits • We will consider further distributions in addition to regular dividend pay-outs⁽³⁾

⁽¹⁾ 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 "Summary Risk Factors" on pages 48 and 49 of the H1 2018 IMS and the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017

⁽²⁾ Declaration of the interim dividend is subject to the timing of the finalisation of the previously announced civil settlement in principle with the US Department of Justice (DOJ) in relation to the DOJ's investigation into RBS's issuance and underwriting of US RMBS.

⁽³⁾ Subject to passing the 2018 Bank of England Stress Test. We would not expect any such additional distributions until 2019.

2020 targets⁽¹⁾

Our strategic plan targets sustainable returns based on...

12%+ ROTE

Sub-50%
Cost:Income Ratio

This will be based off...

CET1 ratio in
excess of 13%

UK income ~90%

Retail &
Commercial RWAs
~85%

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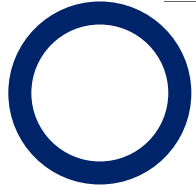
Core messages



Attributable profit ex. US RMBS £1,690m for H1 2018



Solid capital generation: CET1 up 110bps⁽¹⁾, RWAs down, major legacy issues largely resolved



On track to deliver our 2020 financial targets



Intention to build future capital distributions

⁽¹⁾ Excludes the impact of £2bn pre-tax pension contribution and the civil settlement in principle with the DOJ and the accrual of the intended interim dividend.

Robert Begbie

Treasurer



Treasurer's View



- Balance sheet strength and sustainability in an uncertain environment



- Positive momentum on ratings



- Largely completed 2018 MREL & funding requirements



- Resolution of major legacy issued reflected in credit spread performance



- H1 Ring-fencing milestones achieved, on track for 1 January 19



- Continue to manage the legacy capital stack for value

Strong, sustainable balance sheet

	H1 2018	FY 2017
Loan : deposit ratio	87%	88%
Short-term wholesale funding	£13bn	£18bn
Liquidity coverage ratio	167%	152%
Net stable funding ratio	141%	132%
Common equity Tier 1 ratio	16.1%	15.9%
CRR Leverage ratio	5.2%	5.3%
Loss absorbing capital ratio	29.6%	27.1%

Positive momentum on ratings

Ratings actions in H1

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

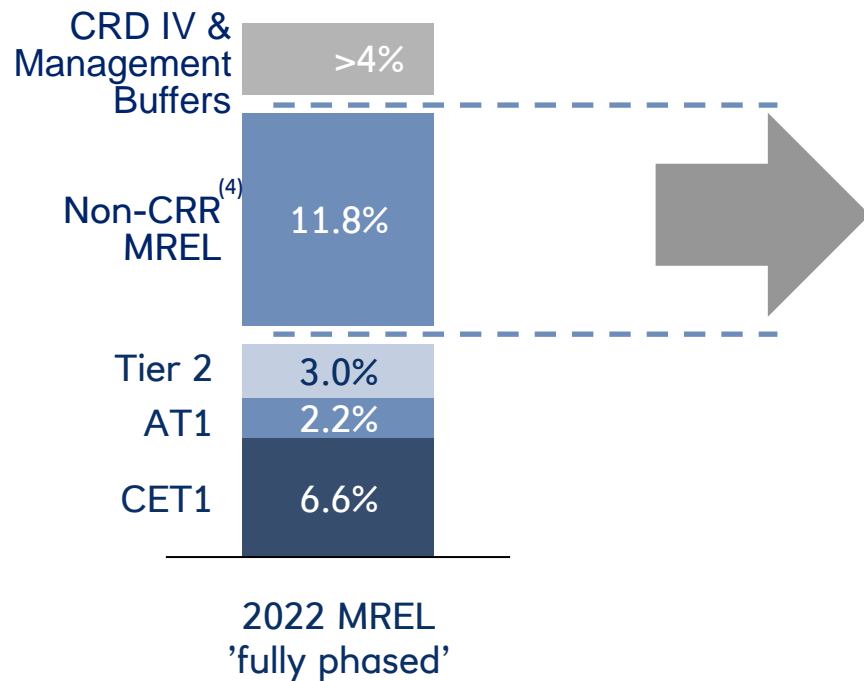
- H1 2018 saw positive action on our ratings from all three agencies
- Moody's upgraded the senior unsecured ratings of RBSG to Baa2
- S&P upgraded the ratings of the ring-fenced OpCos and RBSI and affirmed the rating of NatWest Markets Plc
- Fitch upgraded the ratings of NatWest Bank and Ulster Bank Limited and assigned a final rating to newly renamed Royal Bank of Scotland plc
- HoldCo and the OpCos now on positive outlook across all three agencies

* Reflects the Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd

On track to meet future MREL⁽²⁾ requirements

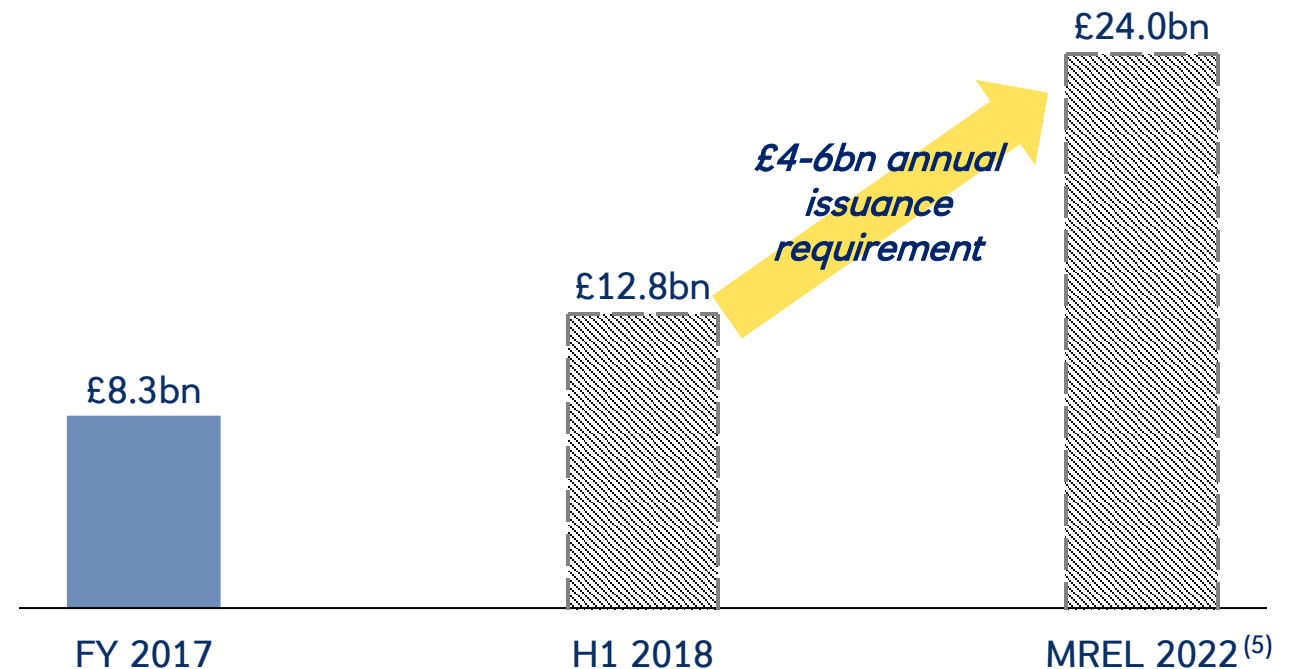
Future LAC requirement ⁽¹⁾

Based on BoE June 2018 guidance



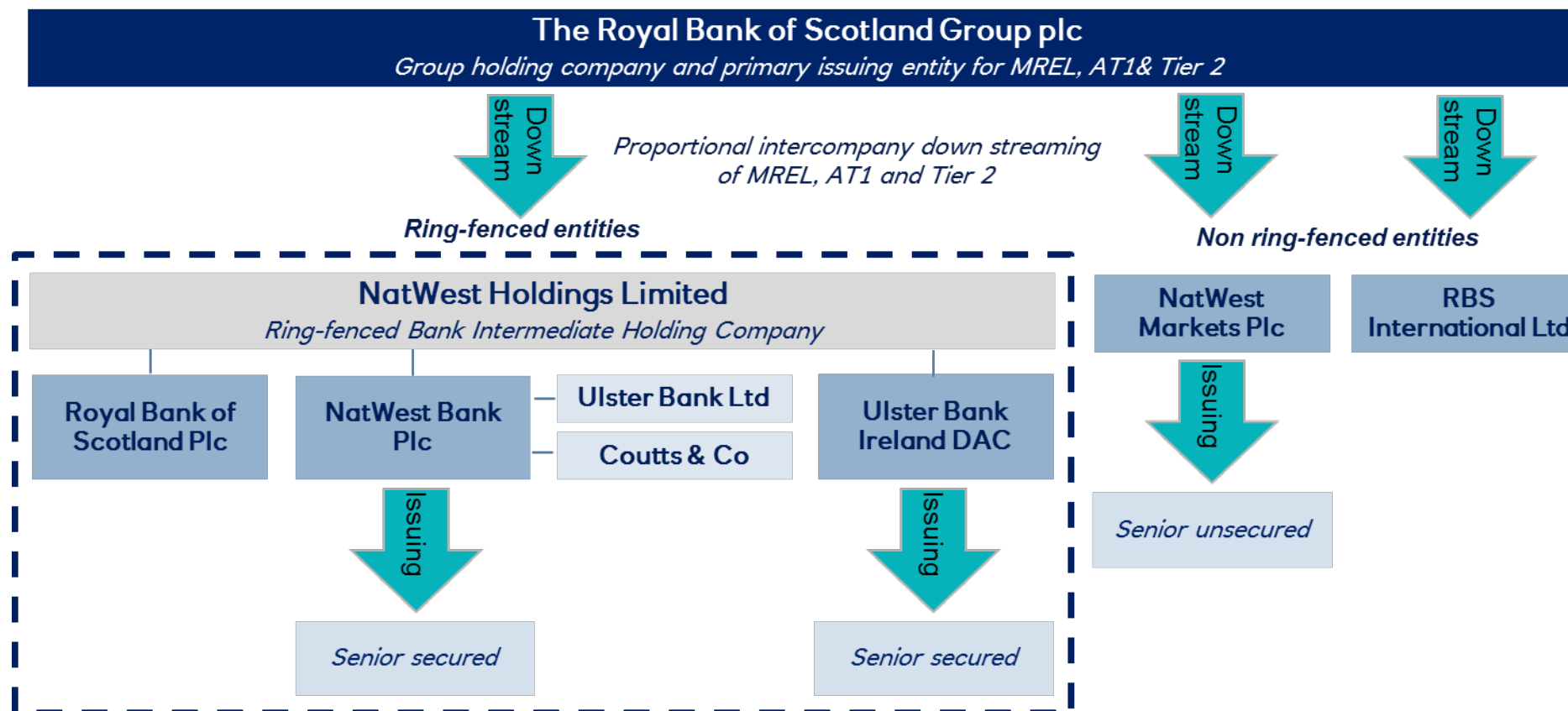
Progress toward future non-CRR MREL⁽⁴⁾ needs

Based on current £199bn RWA and static regulatory capital requirements⁽³⁾



- H1 2018 Loss Absorbing Capital ratio 29.6%, including CET1 and other legacy securities⁽⁶⁾, versus 28% BoE 2022 guidance

Issuance reflects post ring fencing entity structure



- Ring-fenced entity funding weighted toward deposits
- No requirement for senior unsecured issuance out of the ring-fenced bank OpCos
- Potential for secured issuance from ring-fenced bank OpCos for funding diversification purposes
- ~£1-1.5bn senior unsecured issuance in H2 for NatWest Markets Plc

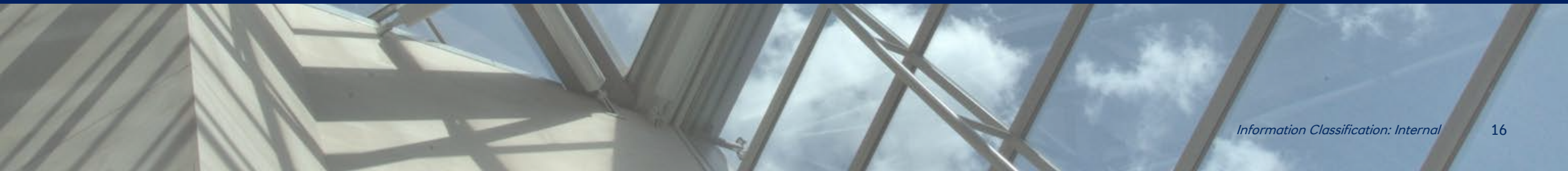
Actively managing the non-MREL Capital stack

- Continue to manage the legacy capital stack for value: current & future regulatory value; relative funding cost; and Rating Agency considerations
- ~£7bn legacy Tier 1 redeemed since FY 2014
- No need for AT1 or Tier 2 issuance, given outlook for balance sheet structure and capital requirements
- Some re-financing of inaugural AT1s from 2020
- Conservative approach to legacy securities qualifying as either CRR compliant capital or MREL

Progress on structural reform

H1 2018	<p>RFTS 1 successfully completed:</p> <ul style="list-style-type: none">• Retail & commercial asset transferred across the ring-fence;• Major OpCos renamed; and• Covered Bond programme transferred to NatWest Bank Plc
H2 2018	<ul style="list-style-type: none">• Capital reduction exercise in NatWest Markets completed in July• Non-permitted customer derivatives transfer from NatWest Bank to NatWest Markets in August 2018 (RFTS 2)• Down streamed OpCo MREL to be finalised• NWM NV repurposed to provide continuation of service to EU based customers

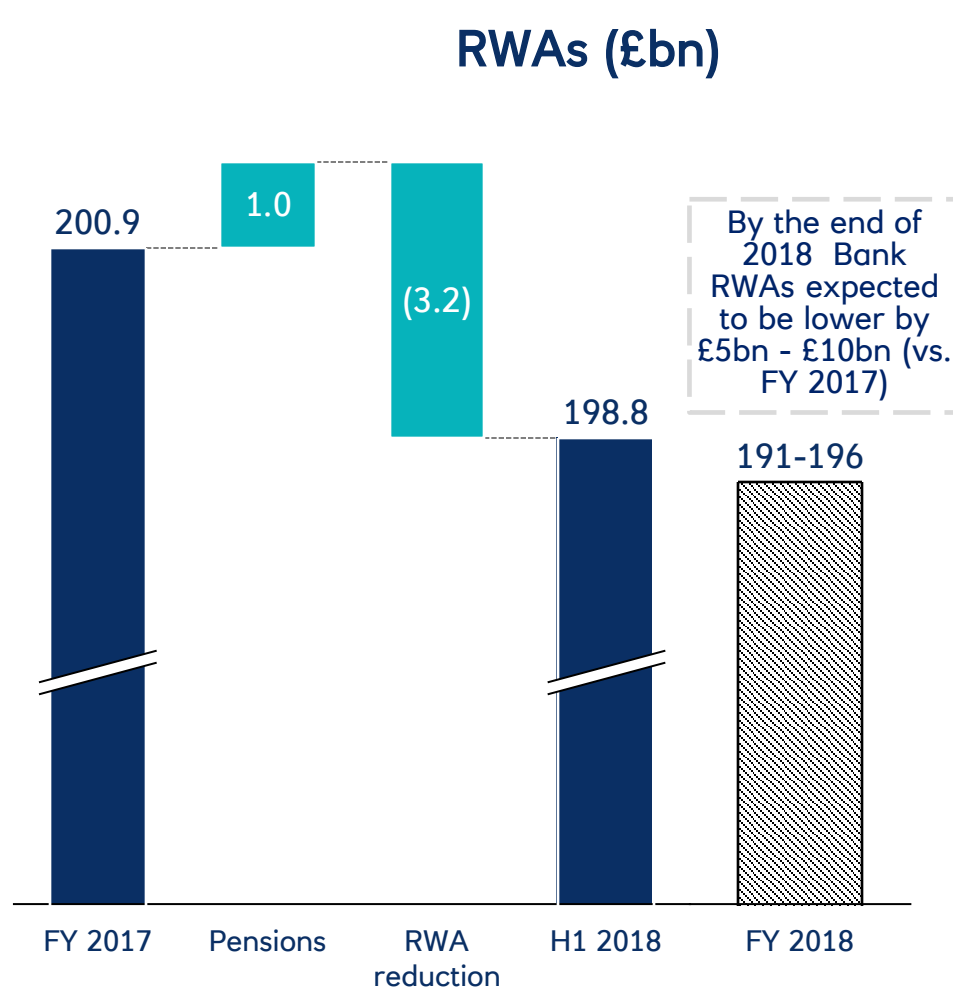
Appendix



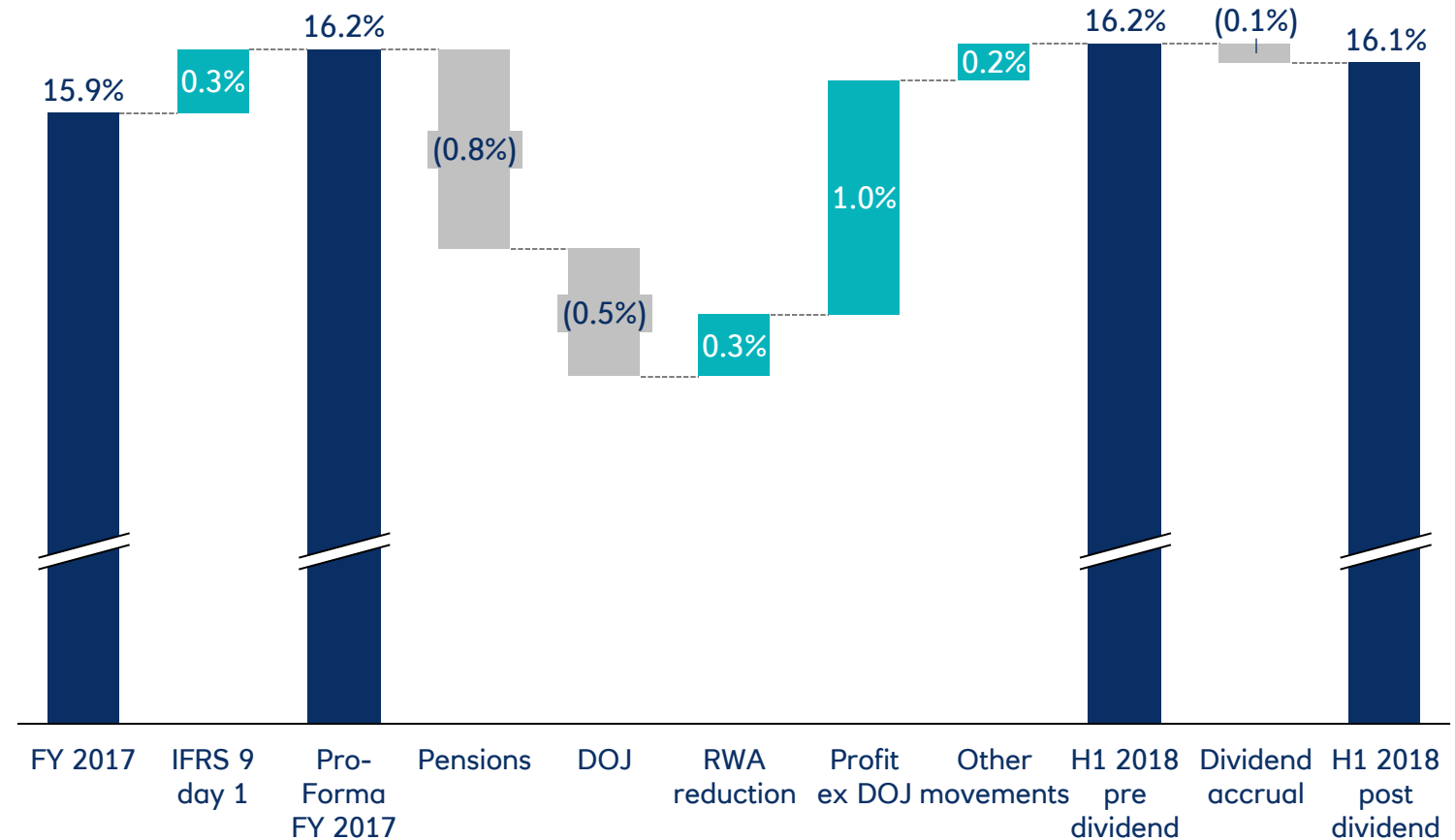
RWAs and capital generation

Continued RWA reductions support strong capital build

RWAs (£bn)



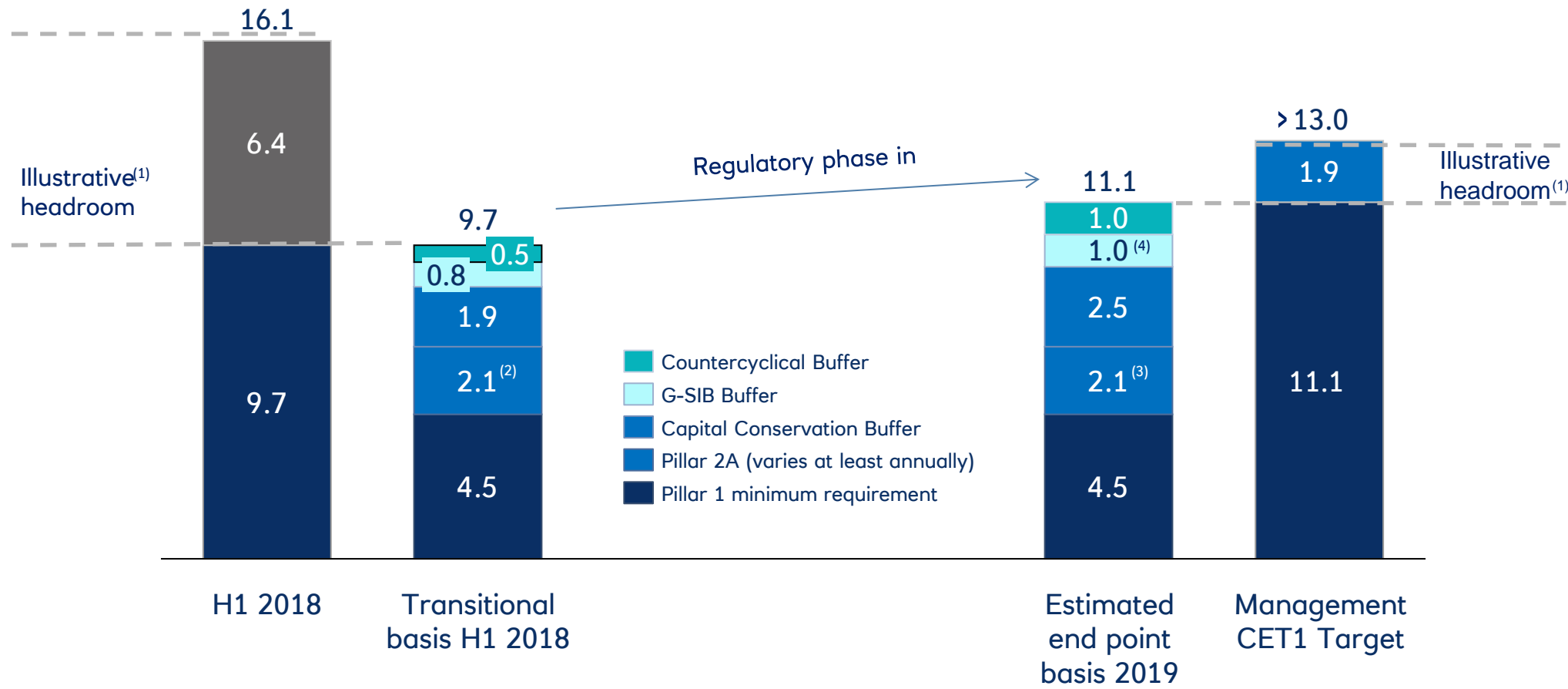
CET1 ratio



Strong CET1 build

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 3.9% of RWAs as at 31 December 2017. 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.

Estimated Loss Absorbing Capital (“LAC”)



H1 2018 £bn	LAC Value	Regulatory Value	Par Value
Common equity tier 1	32.0	32.0	32.0
Tier 1 Capital: End point CRR compliant	4.0	4.0	4.0
<i>o/w RBS Group Plc (HoldCo)</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>
<i>o/w RBS Operating Subsidiaries (OpCos)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Tier 1 Capital: End point CRR non-compliant	2.8	3.6	3.7
<i>o/w HoldCo</i>	<i>2.7</i>	<i>3.5</i>	<i>3.6</i>
<i>o/w OpCos</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
Tier 2 Capital: End point CRR compliant	5.3	6.7	7.1
<i>o/w HoldCo</i>	<i>4.8</i>	<i>6.3</i>	<i>6.6</i>
<i>o/w OpCos</i>	<i>0.5</i>	<i>0.4</i>	<i>0.5</i>
Tier 2 Capital: End point CRR non-compliant	1.9	1.4	2.2
<i>o/w HoldCo</i>	<i>0.1</i>	<i>0.1</i>	<i>0.3</i>
<i>o/w OpCos</i>	<i>1.8</i>	<i>1.3</i>	<i>1.9</i>
Senior unsecured debt securities	12.8	-	29.9
<i>o/w HoldCo</i>	<i>12.8</i>	<i>-</i>	<i>14.3</i>
<i>o/w OpCos</i>	<i>-</i>	<i>-</i>	<i>15.6</i>
Total LAC	58.8	47.7	78.9
Total LAC (% RWA)	29.6%		

H1 2018 results by business

(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	Total RBS
Income	3.2	0.3	1.8	0.4	0.3	0.7	0.1	6.7
Operating expenses	(1.6)	(0.3)	(0.8)	(0.2)	(0.1)	(0.7)	(1.0)	(4.7)
Impairment (losses) / releases	(0.1)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.1)
Operating profit	1.4	0.1	0.9	0.2	0.2	0.0	(1.0)	1.8
Funded Assets	192.3	24.8	141.8	20.9	29.8	134.5	53.1	597.2
Net L&A to Customers	161.9	19.1	90.7	13.8	13.0	21.2	0.3	320.0
Customer Deposits	182.2	17.6	96.4	26.4	28.5	14.8	0.4	366.3
RWAs	43.4	16.8	71.7	9.4	6.8	50.1	0.6	198.8
LDR	89%	109%	94%	52%	46%	143%	n.m.	87%
ROE (%)⁽²⁾	29%	7%	14%	16%	26%	(1%)	n.m.	5.3%
Cost : Income ratio (%) ⁽³⁾	50%	81%	46%	59%	40%	93%	n.m.	70%

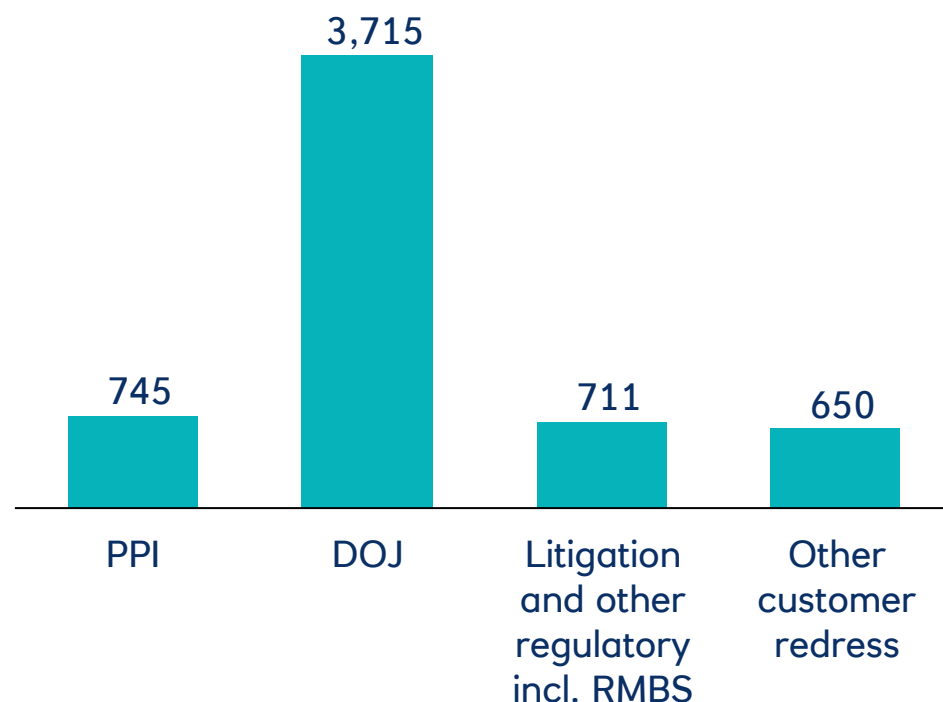
⁽¹⁾ Central items includes unallocated transactions which principally comprises RMBS charges and volatile items under IFRS

⁽²⁾ RBS's CET 1 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 of 14% (Ulster Bank RoI), 11% (Commercial Banking), 13.5% (Private Banking), 16% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders

⁽³⁾ Operating lease depreciation included in income.

Litigation and conduct

End of H1 2018 provisions (£m)



Total provisions for liabilities and charges: £7.0bn⁽¹⁾ as at H1 2018

Comments

US RMBS

- Settlement in principle reached with DOJ for US RMBS
- Incremental charge of £1,040m taken in Q2 2018
- Nomura RMBS litigation indemnity recovery of £241m

Payment Protection Insurance

- RBS has made provisions totalling £5.1bn to date for PPI claims. £4.4 billion had been utilised by 30 June 2018
- £156m of provisions utilised in the quarter
- £745m balance sheet provisions (including Plevin) remaining

⁽¹⁾ Includes 'other' provisions as per Note 4 of the Interim 2018 results announcement

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 "Summary Risk Factors" on pages 48 and 49 of the H1 2018 IMS and the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017.

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 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 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, and other risk factors and uncertainties discussed in this presentation. 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.

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