

Understanding the key influences in our operating environment

Shorter term considerations

UK productivity & economic growth

The UK economy continued to grow in 2018, albeit below its long-term trend. RBS's performance is strongly tied to the economic performance of the UK economy. With the short and long-term outlook for the UK and global economy remaining uncertain, RBS recognises its role in supporting productivity and economic growth.



Political landscape

Political risks continue to evolve with uncertainties related to Brexit.



Generating sustained returns

To generate sustained returns to its stakeholders, RBS needs to have a robust business model with a well-managed cost base that adapts and responds to changing socio-economic and environmental factors.



Technology & innovation

Digital maturity is seen as critical to the future success of RBS as the banking sector goes through a period of rapid technological change. Together with digital innovation and ongoing efforts to reduce costs, there is potential for significant disruption to traditional banking business models.



Changing customer expectations

Customers' lives are following less predictable paths. RBS needs to continue helping customers with new ways to bank while meeting personalised service expectations and catering to a broad range of lifestyles and differing levels of digital and financial understanding.



Competition

Regulators continue to encourage competition in the banking sector, with January 2018 seeing the arrival of Open Banking and Payment Services Directive 2 (PSD2).

To respond to growing competitive pressures, RBS will need to continue to improve the bank's products and services in order to increase market share.



Reputation & trust

A significant level of trust is required to ensure RBS is sustainable for the long term. Continued efforts to restore trust and safeguard reputation remain a key focus area.



Conduct & litigation

Although RBS has resolved the majority of legacy conduct issues and litigation costs are falling, the focus remains on putting in place and maintaining measures to prevent future issues related to conduct.



Cyber security

With the increasing possibility of significant scale attacks resulting in data breaches and ultimately, damaging consumer trust, RBS must continue to build on a multi-layered approach to cyber security and continue to take part in industry-wide initiatives to monitor and anticipate developments.



Operational resilience

2018 has seen heightened media coverage on the operational competency of UK banks, including data breaches and technology failures. To provide continuity of service for customers with minimal disruption, RBS must continue to monitor and assess a diverse array of threats, both external and internal, as well as developing, strengthening or adapting existing control capability to be able to absorb and adapt to such disruptions.



Banking regulation

RBS continues to operate in an increasingly complex regulatory environment. Regulatory and legislative focus is broadening from banking regulation to include non-banking specific regulation, for example relating to artificial intelligence and climate change.



Longer term considerations

Inclusion & diversity

Building a more inclusive RBS is essential for our customers and colleagues. We will only achieve our ambition to be number one for customer service, trust and advocacy if we understand the needs of all of our people and our customers.



Culture, engagement & wellbeing

A healthy culture and engagement are critical drivers for overall performance and wellbeing, underpinning the bank's long-term success.



Skills, capabilities & reward

RBS faces competition for skilled people. Recruiting, developing and retaining talent remains a key priority.



Climate and sustainable finance

As the scientific evidence on climate change becomes even clearer, RBS needs to further embed climate risk in its existing risk management framework and proactively assist its customers and clients with the transition to a low carbon economy.



Financial capability

Against a backdrop of increased focus on debt, fraud and customers in vulnerable situations, RBS has a key role to play in supporting customers to use our various banking channels and manage money well on a day to day basis, through significant life events and during periods of financial difficulty.



Social inequality & financial exclusion

Squeezed incomes, the "gig economy" and rising cost of living means many UK consumers find themselves in precarious financial situations. Access to mainstream financial services coupled with a lack of digital footprint and skills remains a concern across a number of stakeholders.



Housing

Housing is a major expense for most people and in many parts of the UK there are concerns about the affordability, standard and availability of housing. RBS is a major mortgage provider and also lends to the housing and construction sectors.



Where to find out more



2018 highlights



Chairman/CEO review



Building a more sustainable bank



Sustainable Banking pages on rbs.com



Governance at a glance



Our business performance



Outlook



Risk overview



Climate related disclosures



Key economic indicators