

Delivering value growth at RBS

Ross McEwan, Chief Executive

Deutsche Bank Global Financials Conference – New York

2 June 2015

Strong execution against 2014 strategic targets



Strategy Goal	2014 Target	2014 Delivery
Unquestioned capital strength	CET1 >11% by end 2015	CET1 +260bps to 11.2%
Overhaul of costs	£1bn cost reduction in 2014	£1.1bn ⁽¹⁾
Resilient customer systems	Improve the resilience of our customer systems	Key services available 99.96% of time
Simplify the bank for customers and colleagues	Simplified organisational design	7 divisions streamlined to 3, back-office functionalised
2015 - 2019 plan	Priorities for accelerated delivery of the strategy	Outlined at the Full Year 2014 results announcement

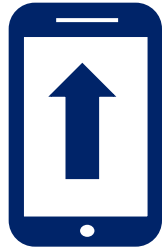
⁽¹⁾ Excluding restructuring costs, litigation and conduct costs, currency movements and intangible write-offs.

The bank RBS intends to become



	RBS in 2019		
# 1 Service	Personal & Business Banking	Commercial & Private Banking	Corporate & Institutional Banking
Leading market positions	#2 UK Personal Current Accounts #3 ROI Personal Current Accounts #2 UK business bank main relationship	#1 SME Bank #1 UK Commercial Bank #1 UK Private Bank #1 UK crown dependencies	Top 3 UK Rates, DCM, FX Top 3 European Structured Finance Top 3 Western Europe Investment Grade Corporate DCM
Attractive returns and business mix	UK centred bank with focused international capability 85% of RWAs in retail and commercial/15% in corporate and institutional Cost:income ratio <50% 12+% RoTE from a lower risk franchise		

Improving our business for customers



Over 1000% growth in mobile usage since 2010

~3m active mobile customers



16 branch transformations per week

93% of branches re-branded by end of 2016

End of 2013	447	3,973	0	6,106
-------------	-----	-------	---	-------

Our expanding presence



communities served by mobile bank vans



self service points



banking points available via Post Office

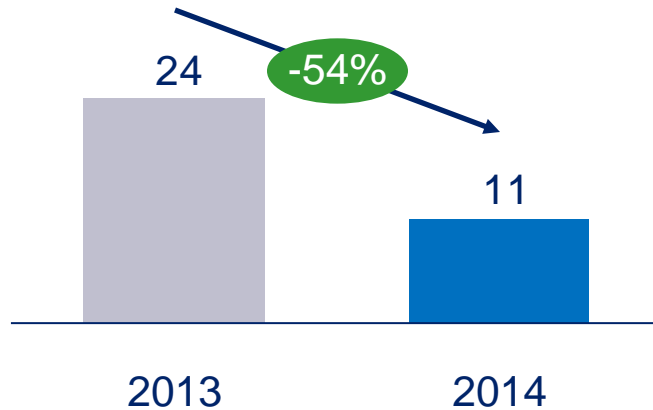


Total points of presence

End of 2015	678	5,544	11,500	19,010
-------------	-----	-------	--------	--------

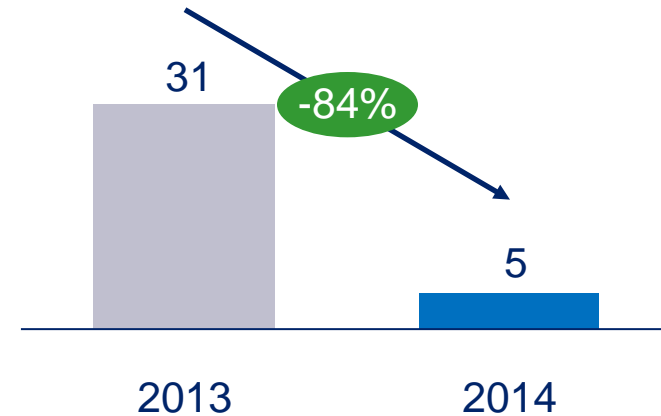
We are making our business simpler

We have simplified our current account....



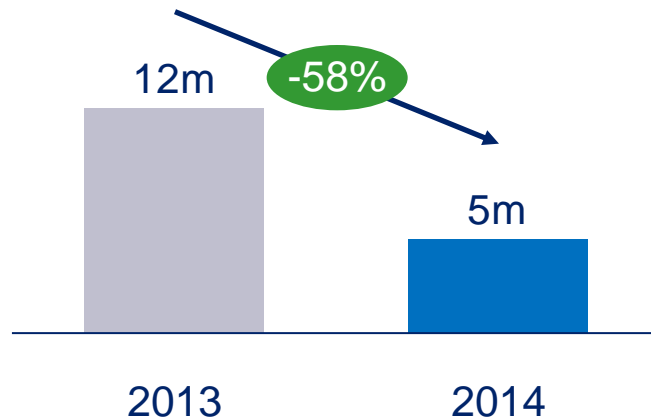
of offsale(1) Personal current account products

... and savings product ranges



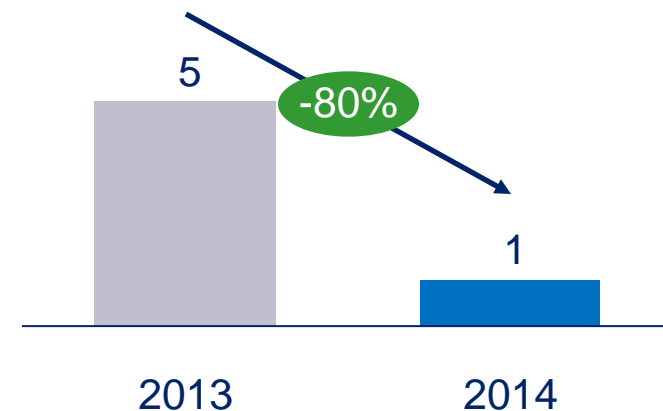
of offsale(1) Personal Savings products

We have moved customers to on sale products...



of Personal customers on offsale(1) products

...and improved account opening processes

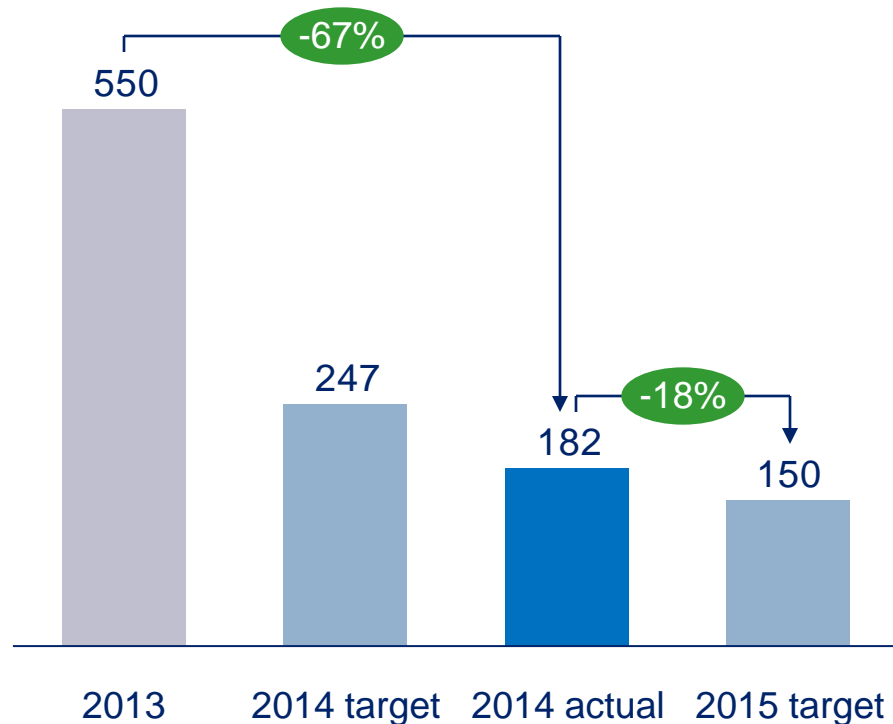


of days to open a Personal current account

(1) Offsale products are products which are no longer offered by RBS.

We have significantly simplified our change portfolio...

Number of Programmes

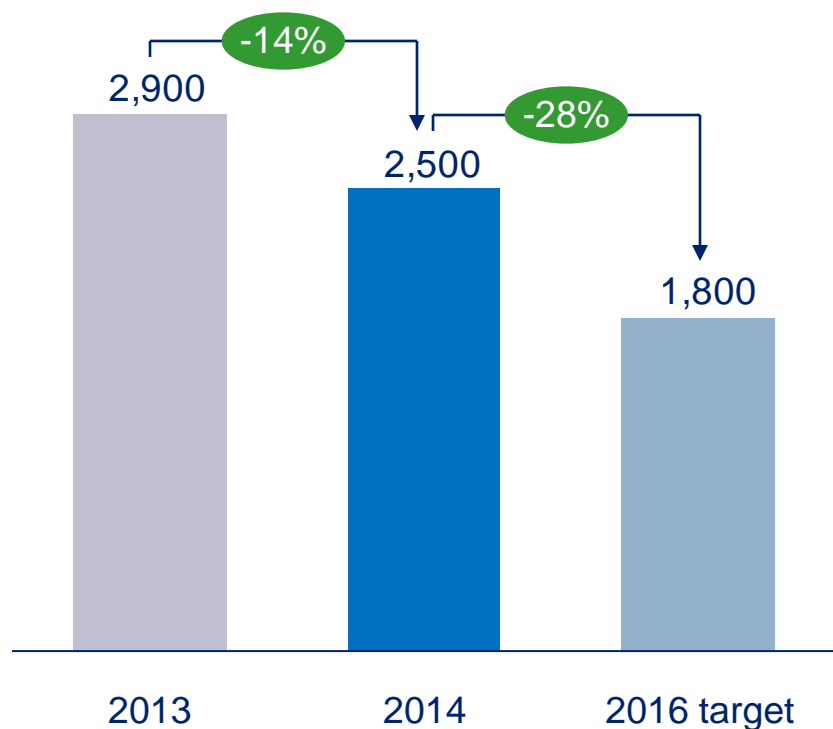


- Legacy portfolio had 550 programmes aligned to businesses, many of which were duplicates
- Significant reduction in the past 12 months to fewer than 200 programmes
- Same investment levels planned, but now directed at transforming the Bank rather than maintaining inefficient legacy infrastructure
- Focus on getting a greater return out of our change investment

...and continued to streamline our property portfolio

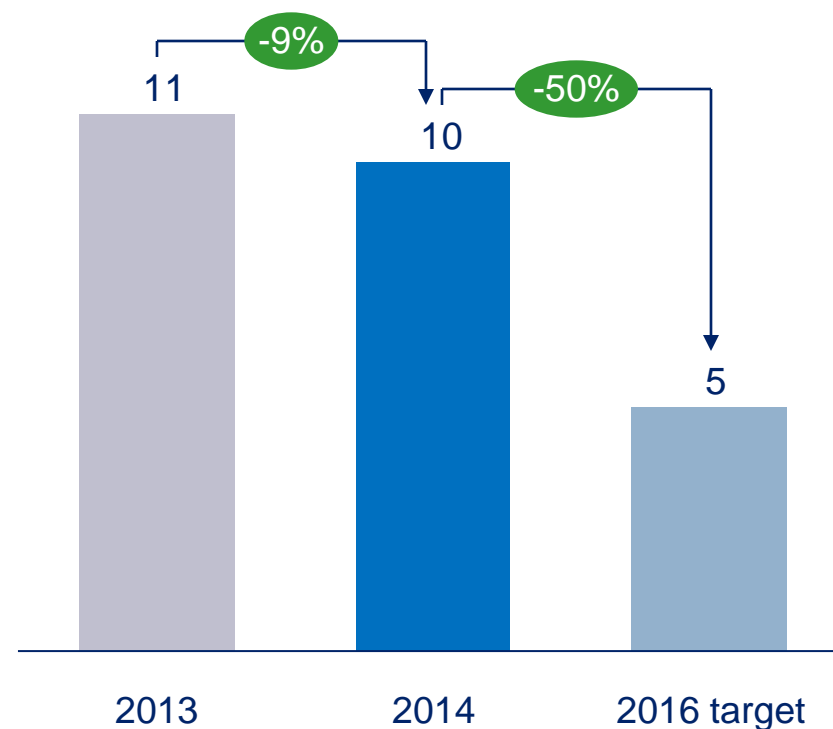
Bank-wide

Total Number of Properties⁽¹⁾



London case study

Number of London Offices⁽²⁾



⁽¹⁾ Whole bank including branches and head office properties; excludes Citizens and Williams & Glyn. ⁽²⁾ Includes head office properties only (exc. Williams & Glyn)

Our go-forward business profile



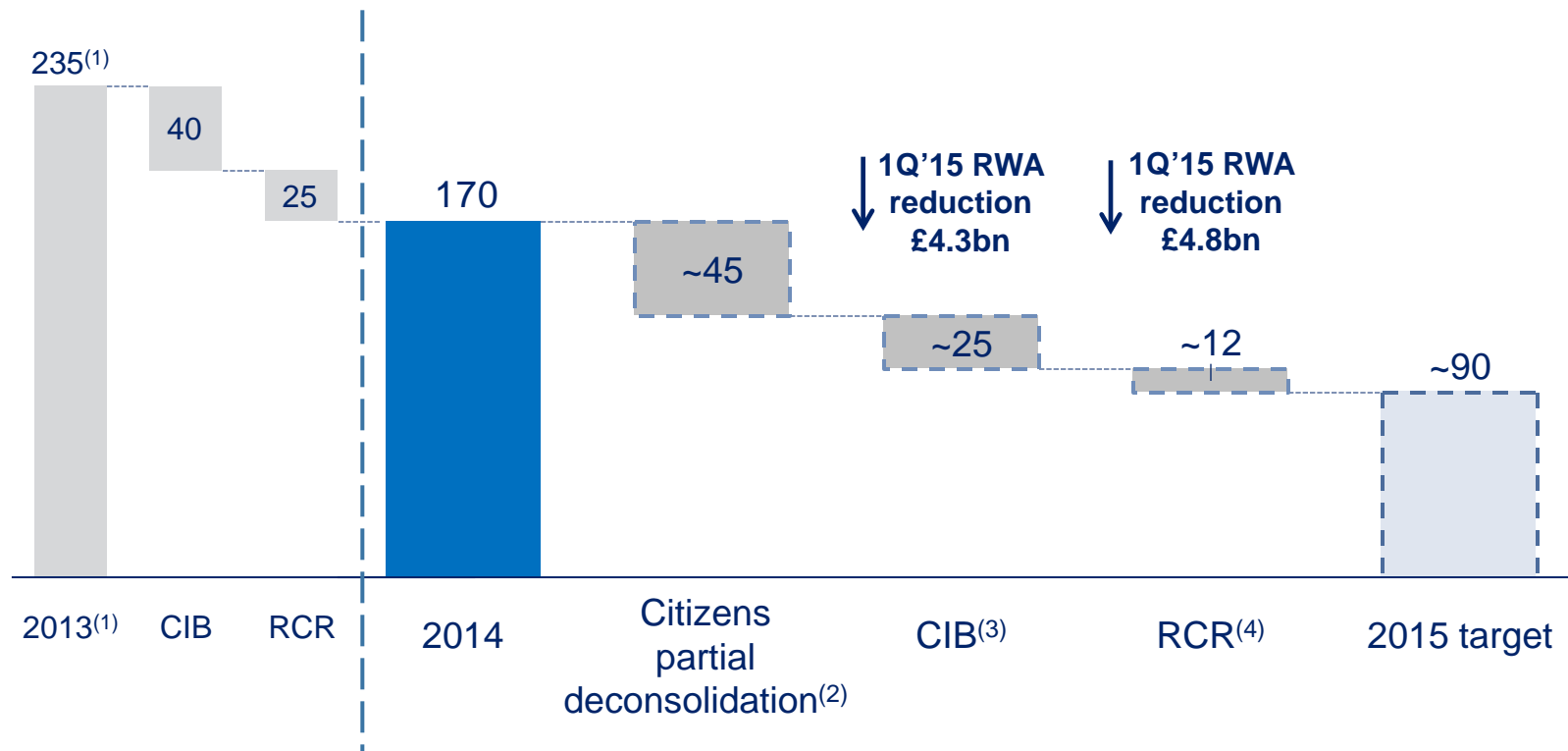
(£bn)	Go-forward businesses profile (pro-forma 2014)					Exit bank overview (pro-forma 2014)							Total RBS
	PBB ⁽¹⁾	CPB ⁽²⁾	CIB go-forward	Other go-forward ⁽³⁾	Total go-forward	CIB Legacy	Int'l Private Banking	W&G ⁽⁴⁾	Citizens	RCR	Other Investments	Total Exit Group	
Income	6.0	4.1	2.0	-	12.1	1.9	0.2	0.9	3.1	-	-	6.1	18.2
Adj. costs ⁽⁵⁾	(3.5)	(2.2)	(1.8)	(0.1)	(7.6)	(1.8)	(0.2)	(0.4)	(2.0)	(0.4)	-	(4.8)	(12.4)
Impairments	0.2	(0.1)	-	0.1	0.2	-	-	(0.1)	(0.2)	1.3	-	1.0	1.2
Adj. op. profit ⁽⁵⁾	2.7	1.8	0.3	(0.2)	4.6	0.1	-	0.4	0.9	1.0	-	2.4	7.0
TPAs	142	104	169	87	502	72	6	20	81	15	1	195	697
RWAs	56	74	46	10	186	61	2	11	68	22	6	170	356
Adj. RoE (%) ⁽⁵⁾⁽⁶⁾	28%	15%	nm	nm	13%	nm	(5%)	nm	8%	nm	nm	8%	10%

- Long-term Go-forward cost:income ratio target <50%. 2014 – 63%
- Target 2015 lending growth in strategic segments in line with UK GDP growth⁽⁷⁾

⁽¹⁾ Total PBB excluding Williams & Glyn. ⁽²⁾ Total CPB excluding International Private Banking. ⁽³⁾ Other go-forward is primarily centre, which includes the liquidity portfolio. ⁽⁴⁾ Does not reflect the cost base, funding and capital profile of a standalone bank. ⁽⁵⁾ Excluding restructuring and conduct charges. ⁽⁶⁾ Segmental Adjusted RoE excludes restructuring and conduct and litigation costs and is calculated using a 25% notional tax rate and equity equivalent to 12% of average segmental RWAs. Total RBS Adjusted RoE excludes restructuring, conduct and litigation costs, own credit adjustments, gain on own debt, write down of goodwill, strategic disposals, discontinued operations and RFS minority interest but includes charges for preference dividends and a notional 25% tax rate. It is calculated using RBS tangible equity. ⁽⁷⁾ Nominal UK GDP growth.

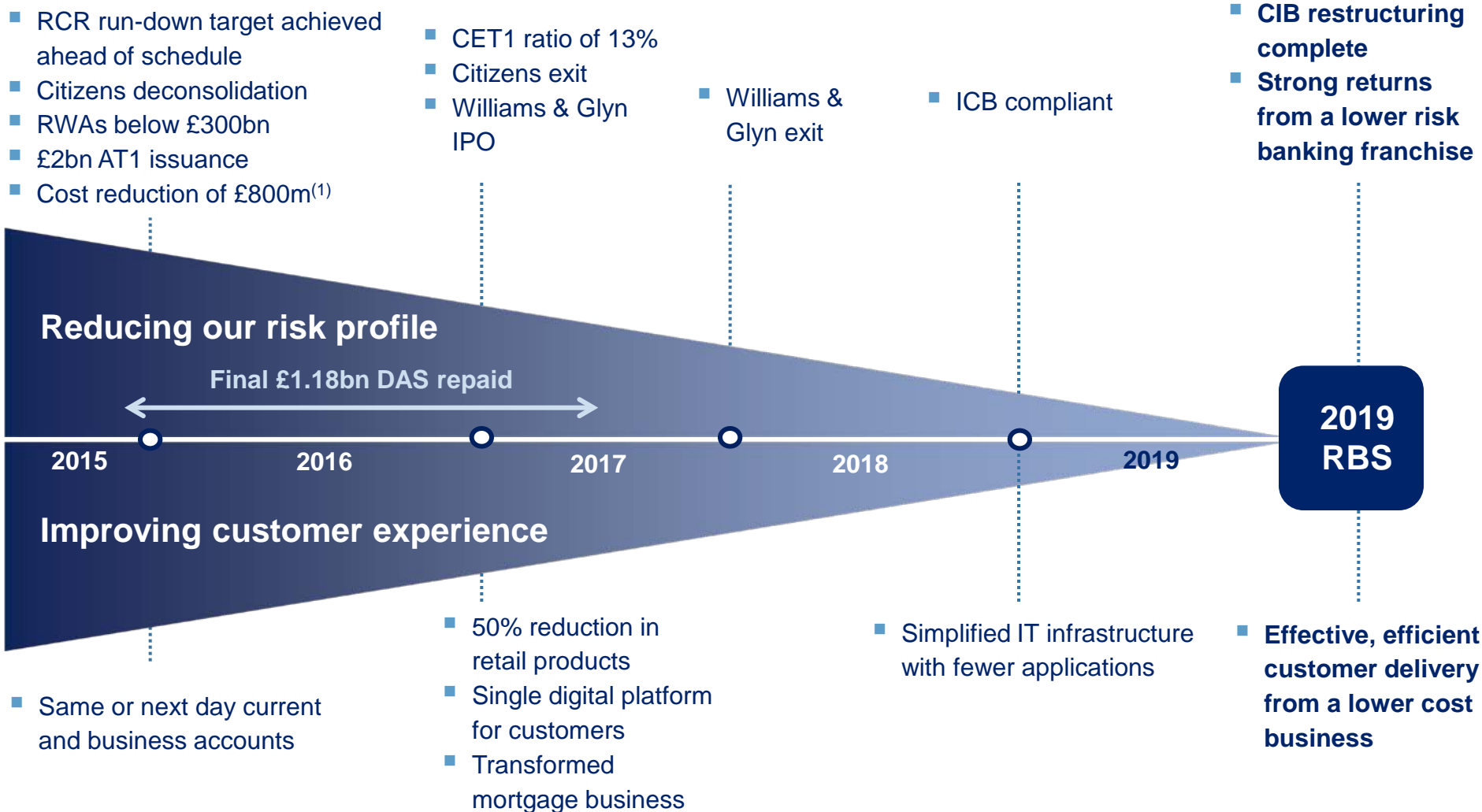
Illustrative Exit Group RWA run down

Illustrative run-down of RBS Exit Group RWA, £bn



⁽¹⁾ Illustrative figure showing the CIB and RCR movements in 2014, not including other 2014 RWA movements. ⁽²⁾ Assumes at or below 35% RBS shareholding in Citizens. Currently RBS owns a 40.8% stake. ⁽³⁾ CIB total, not just Exit Group. ⁽⁴⁾ Assumes 15% stub achieved.

2015-2019 – Targeted outcomes



⁽¹⁾ Excludes restructuring, conduct, litigation and intangible write-off charges as well as the operating costs of Citizens Financial Group and Williams & Glyn.

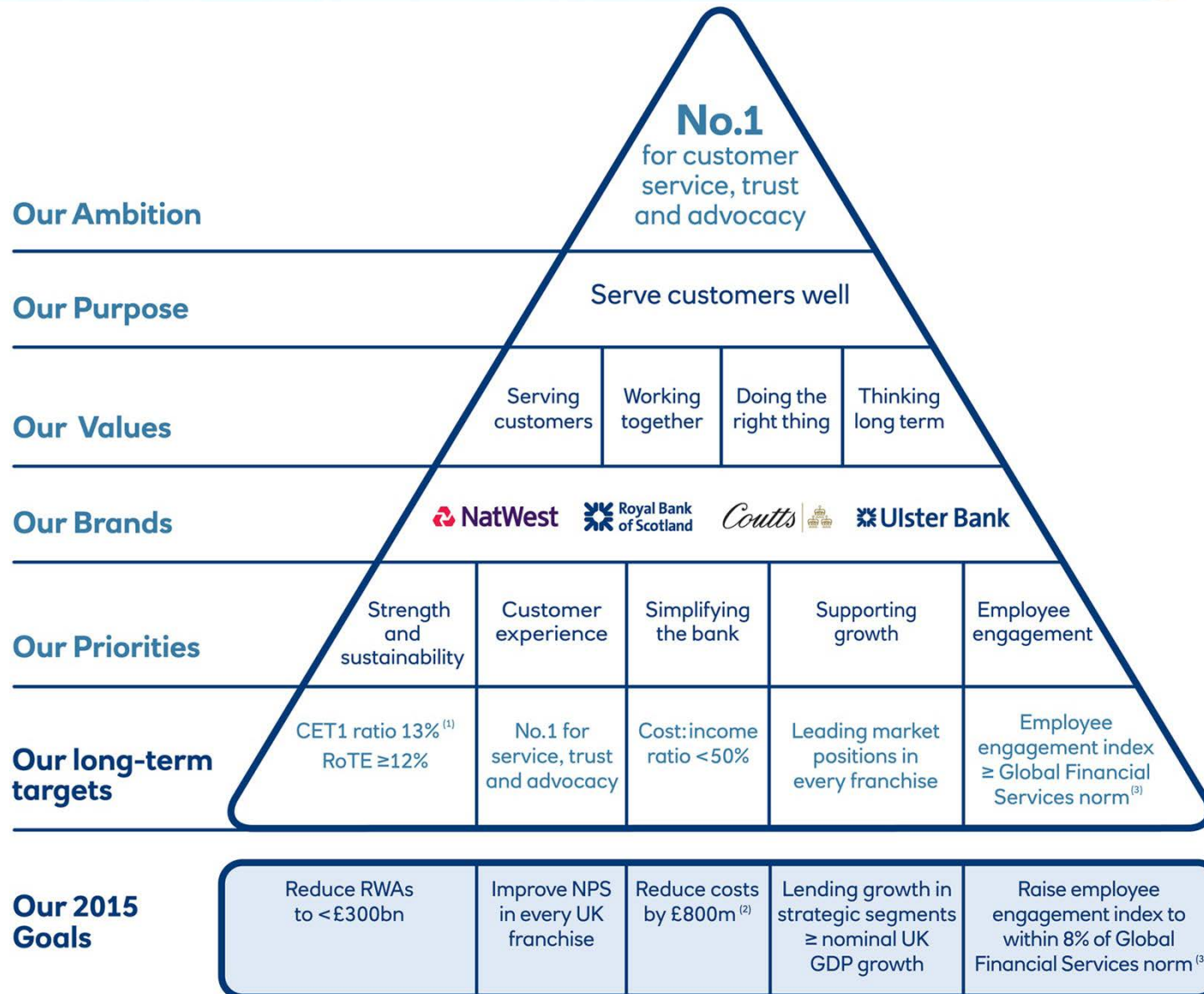
2015 delivery targets



Strategy goal	2015 delivery target
Strength and sustainability	RWAs reduced to below £300bn; RCR exit substantially completed and CFG deconsolidated; £2bn of AT1 raised
Customer experience	NPS improvement in every UK customer franchise
Simplifying the bank	Committed to delivering £800m ⁽¹⁾ cost reduction in 2015, despite absorbing the impact of the increase in the UK bank levy
Supporting growth	Lending growth in strategic segments in line with UK GDP growth ⁽²⁾
Employee engagement	Raise employee engagement index to within 8% of Global Financial Services (GFS) norm ⁽³⁾

⁽¹⁾ Excludes restructuring, conduct, litigation and intangible write-off charges as well as the operating costs of Citizens Financial Group and Williams & Glyn. ⁽²⁾ Nominal UK GDP growth. ⁽³⁾ GFS norm currently stands at 83%.

Our blueprint for lasting success



⁽¹⁾ During the period of CIB restructuring. ⁽²⁾ Excludes restructuring, conduct, litigation and intangible write-off charges as well as the operating costs of Citizens Financial Group and Williams & Glyn. ⁽³⁾ Global Financial Services (GFS) norm currently stands at 83%.

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', '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: The Royal Bank of Scotland Group's (RBS) transformation plan (which includes RBS's 2013/2014 strategic plan relating to the implementation of its new divisional and functional structure and the continuation of its balance sheet reduction programme including its proposed divestments of Williams & Glyn and Citizens, RBS's information technology and operational investment plan, the proposed restructuring of RBS's CIB business and the restructuring of RBS as a result of the implementation of the regulatory ring-fencing regime), as well as restructuring, capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAE), Pillar 2A, Maximum Distributable Amount (MDA), total loss absorbing capital (TLAC), minimum requirements for eligible liabilities (MREL), return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, funding and risk profile; litigation, government and regulatory investigations including investigations relating to the setting of interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by RBS arising out of the origination or sale of mortgages or mortgage-backed securities in the US; RBS's future financial performance; the level and extent of future impairments and write-downs; and RBS's exposure to political risks, credit rating risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates, targets and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could adversely affect our results and the accuracy of forward-looking statements in this document include the risk factors and other uncertainties discussed in RBS's 2014 Annual Report filed on Form 20-F. These include the significant risks for RBS presented by the execution of the transformation plan; RBS's ability to successfully implement the various initiatives that are comprised in the transformation plan, particularly the balance sheet reduction programme including the divestment of Williams & Glyn and its remaining stake in CFG, the proposed restructuring of its CIB business and the significant restructuring undertaken by RBS as a result of the implementation of the ring fence; whether RBS will emerge from implementing the transformation plan as a viable, competitive, customer-focused and profitable bank; RBS's ability to achieve its capital targets which depend on RBS's success in reducing the size of its business; the cost and complexity of the implementation of the ring-fence and the extent to which it will have a material adverse effect on RBS; the risk of failure to realise the benefit of RBS's substantial investments in its information technology and operational infrastructure and systems, the significant changes, complexity and costs relating to the implementation of the transformation plan, the risks of lower revenues resulting from lower customer retention and revenue generation as RBS refocuses on the UK as well as increasing competition. In addition, there are other risks and uncertainties. These include RBS's ability to attract and retain qualified personnel; uncertainties regarding the outcomes of legal, regulatory and governmental actions and investigations that RBS is subject to and any resulting material adverse effect on RBS of unfavourable outcomes; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; uncertainty relating to how policies of the new government elected in the May 2015 UK election may impact RBS including a possible referendum on the UK's membership of the EU; operational risks that are inherent in RBS's business and that could increase as RBS implements its transformation plan; the potential negative impact on RBS's business of actual or perceived global economic and financial market conditions and other global risks; how RBS will be increasingly impacted by UK developments as its operations become gradually more focused on the UK; uncertainties regarding RBS exposure to any weakening of economies within the EU and renewed threat of default by certain countries in the Eurozone; the risks resulting from RBS implementing the State Aid restructuring plan including with respect to the disposal of certain assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by RBS; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; regulatory or legal changes (including those requiring any restructuring of RBS's operations); changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes; impairments of goodwill; the high dependence of RBS's operations on its information technology systems and its increasing exposure to cyber security threats; the reputational risks inherent in RBS's operations; the risk that RBS may suffer losses due to employee misconduct; pension fund shortfalls; the recoverability of deferred tax assets by the Group; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this announcement, and RBS does not undertake 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 document do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.