

Technology Transformation

Investor & Analyst Webinar

Simon McNamara & Team

June 2015

Presenter biographies



Simon McNamara

Chief Administrative Officer

Simon McNamara was appointed Group Chief Administrative Officer, RBS Group in September 2013. Prior to joining RBS Simon was Chief Information Officer of Standard Chartered Bank Consumer Bank based in Singapore. Simon was responsible for developing and implementing the Group Technology and Operations strategy which supports the Consumer Bank's strategy.

Simon has held a number of senior Information Technology and Operations positions in the global financial services industry; Westpac Banking Corporation in Sydney, Deutsche Bank, BNP Paribas, and Midland Bank. He was also a founding partner in a successful software start-up, CATS INC.



Michael Geslak

Head of Transformation

Michael is currently Head of Transformation, responsible for delivery of the strategic restructuring programme. He began his career at ABN AMRO in New York in 1988 as an accountant and held various positions in Investment Banking financial reporting control.

Michael held a number of senior roles in Market Risk, Investment Banking Operations and Technology for ABN AMRO between 1992 and 2007. In 2008, Michael joined RBS as Chief Operating Officer EMEA and he subsequently took responsibility for delivering the global integration between RBS and ABN AMRO businesses. More recently, Michael was the accountable executive for preparing the Williams & Glyn retail banking business for divestment.



Patrick Eltridge

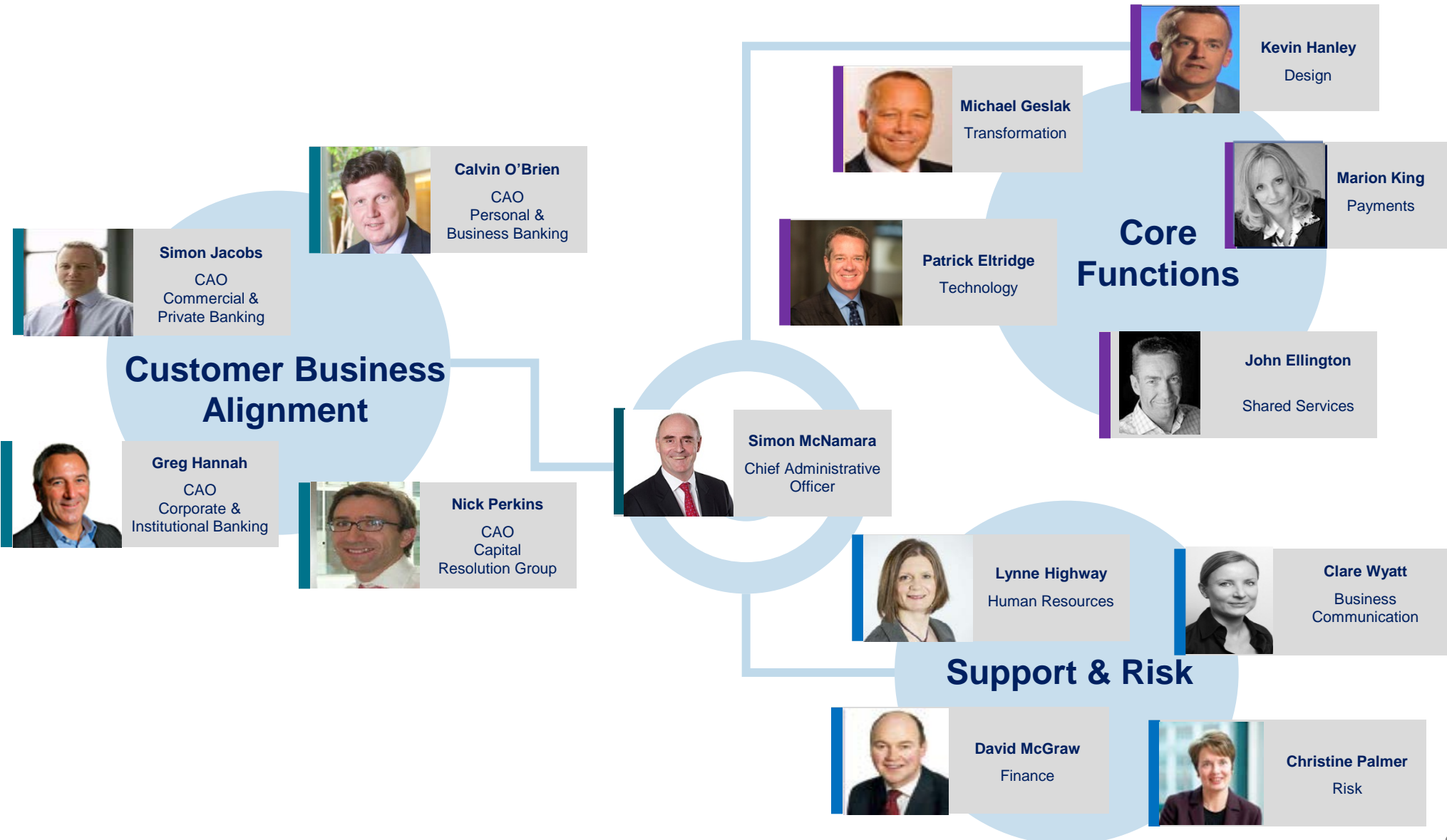
Chief Information Officer

Patrick joined RBS in 2015 and leads Technology for the Bank. He has over 25 years' experience in financial services, telecommunications, technology start-ups, management consulting and related commercial activities, particularly in the online space.

Most recently, Patrick was Group CIO of Telstra Corporation, and Group Strategy, Architecture & Design at Standard Chartered Bank, Retail Bank CIO at Westpac and CIO at Seek Limited. Patrick is a Fellow of the Australian Institute of Management, a Graduate of the Australian Institute of Company Directors, and holds a Bachelor of Mathematics degree in computer science from the University of Wollongong.



The Services Team



Progress to date

- Strong 2014 track-record of delivery
 - Further substantive progress underway for 2015
-

2015-17 Plan

- £3.5bn of planned total investment spend
 - Mix of addressing legacy issues, improving automation of core processes and innovation
 - The 2015-17 plan underpins the bank-wide, 2019 target, of reducing cost-income ratio to below 50%
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Innovation

- Likely to be critical differentiator of performance
- Re-positioning ourselves with the aim of being an innovation leader
- Global scouting network established, with strong pipeline of ideas being tested and implemented

Transforming the Bank



Progress to date

2015 – 2017 Transformation Plan

Innovation

Summary

Q&A

Our focus has been clear



Our ambition: to be number one for customer service, trust and advocacy in each of our business areas by 2020

Theme	Objective
RESILIENT	Customer trust: safe, secure and resilient foundations
SIMPLER	Customer experience: simpler, easier and faster processes
EFFICIENT	Customer value: greater efficiencies, lower costs, better value
INNOVATIVE	Customer service: at the forefront of innovation

Good progress against our commitments



RESILIENT

- Processor, memory grid and storage upgrades
- Remediation of single points of failure for 23 critical systems
- Change/Incident Management processes improved
- Key components of Batch Transformation plan complete



SIMPLER

- More “One & Done” automation
- Standardised on-boarding and account opening
- Rationalise the change portfolio
- Empower front-line teams to fix everyday issues



EFFICIENT

- Deliver £1bn net cost savings across the Bank generally
- Define multi-year cost programme for 2015+
- Deliver a lower cost location strategy
- Removing functional duplication where appropriate



INNOVATIVE

- Increase penetration of online/mobile applications
- Define long-term architecture framework
- Single security framework implemented
- Increase access to flexible working tools



Our resilience improvements have contributed to a safer bank



Since Q4 2014 we have sustained 99.74% system availability for our customers



We have spent more than 35,000 hours training our people on a new Risk Framework



Reduced the complexity of overnight batch processing; now completes up to 60 minutes earlier than in Dec. 2013



Implemented our 'mirror bank' allowing customers access to critical services during incidents (e.g. successful card transactions rose from 43% to 92%)



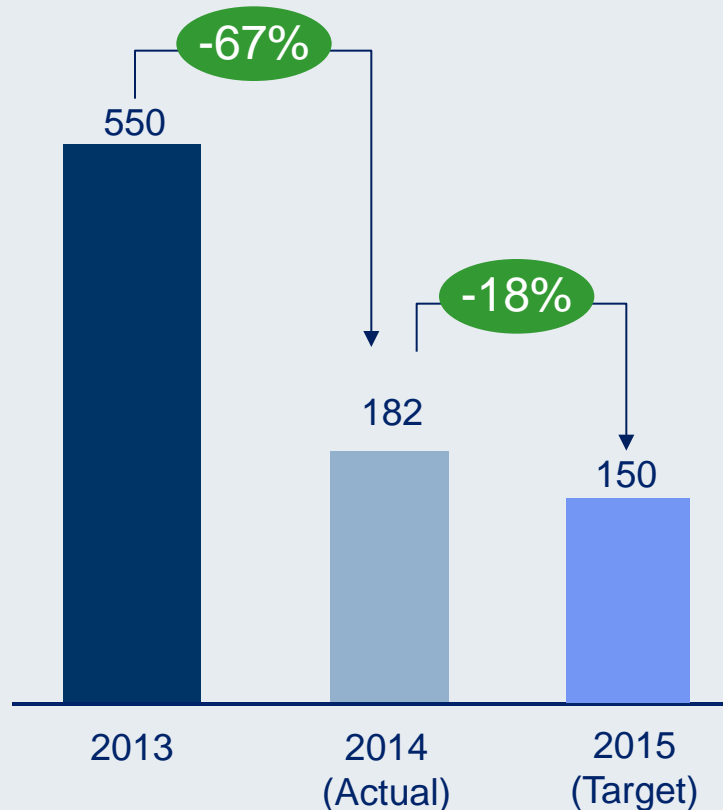
Delivered 72 changes across UK payments estate and reduced payment outages by 24%¹



Improved stability in our core international payments infrastructure with fewer outages

We have significantly simplified our change portfolio...

Number of Programmes



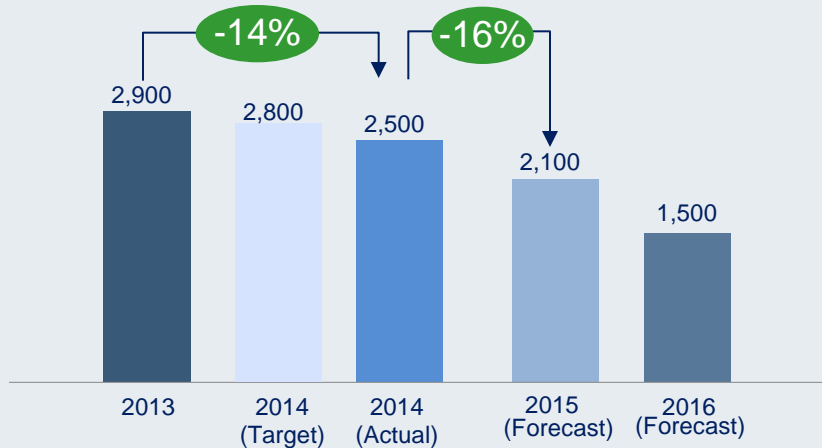
- 550 programmes down to under 200 in just 12 months
- Investment levels retained
- Targeted at transformation, not maintenance

...continued to streamline our property portfolio...

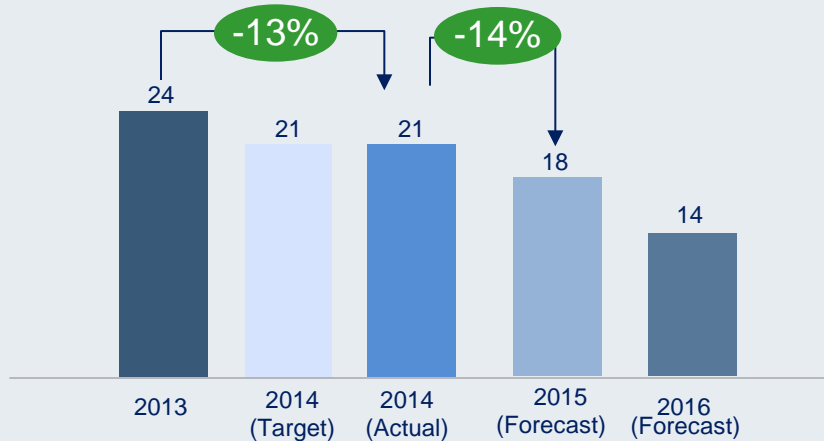


Bank-wide

Total Number of Properties¹

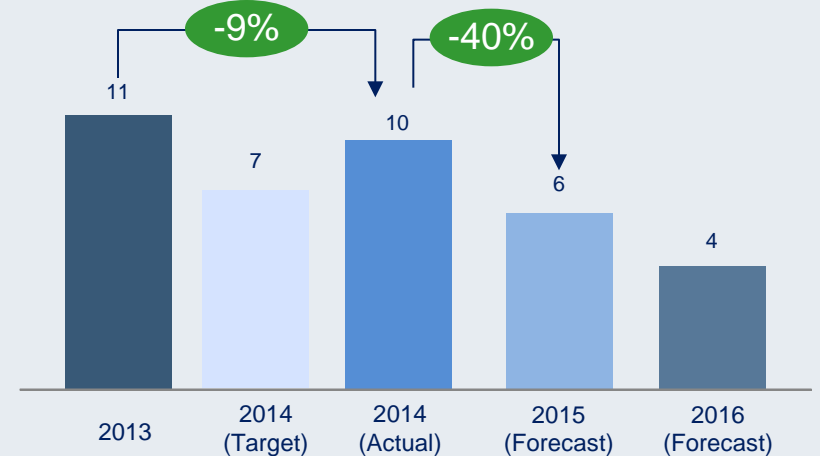


Total Property (m. sq. ft.)¹

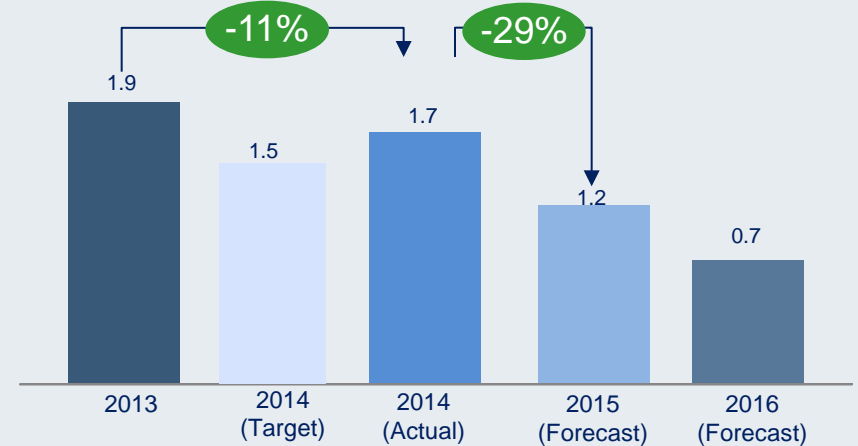


London case study

Number of London Offices²

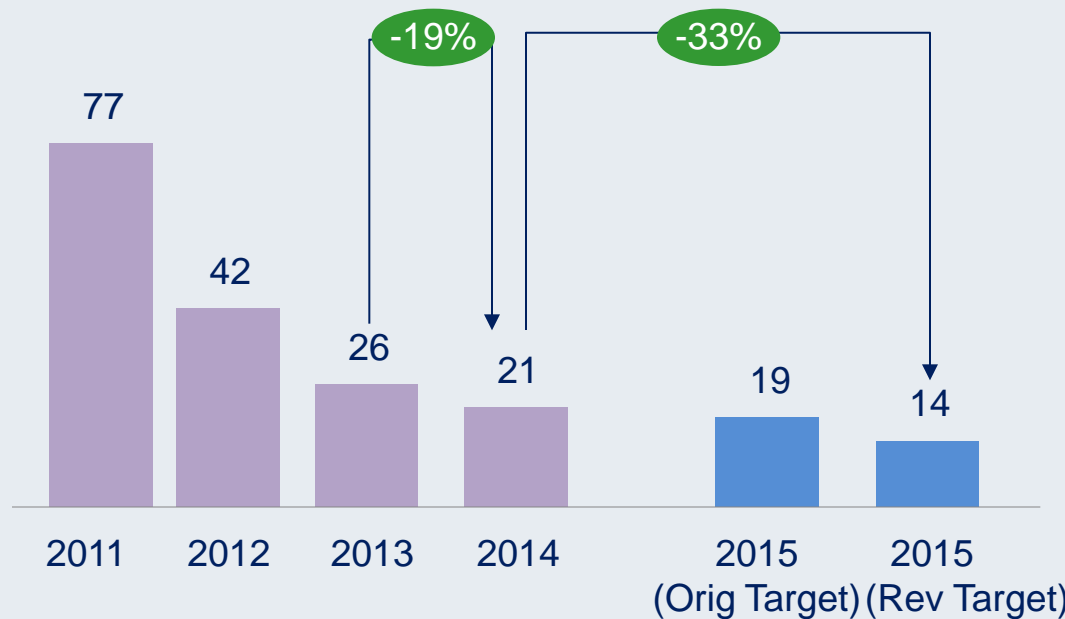


London Office (m. sq. ft.)²



...and focused on fewer, more strategic supplier relationships

Number of RBS Suppliers ('000s)



- £700m reduction in spend
- On track to meet 14,000 target
- Focus on valuable SME suppliers

We continue to simplify how our customers do business with us



Significant upgrade to the Group Mortgage System



TouchID goes live to our customer base, increasing app security



Handled peak **FX volumes** following removal of Swiss Euro peg



WiFi installed in all major offices



Mainframe **disaster recovery completed** without customer impact



Payments requiring **manual processing reduced by 16%**



Reducing complexity by decommissioning 86 systems



New business intelligence tools implemented driving better customer decisions



Mobile banking upgrades result in record usage and assisted an improved NPS



...and Enabling our Workforce with tools that let them do their job effectively

Transforming the Bank



Progress to date

2015 – 2017 Transformation Plan

Innovation

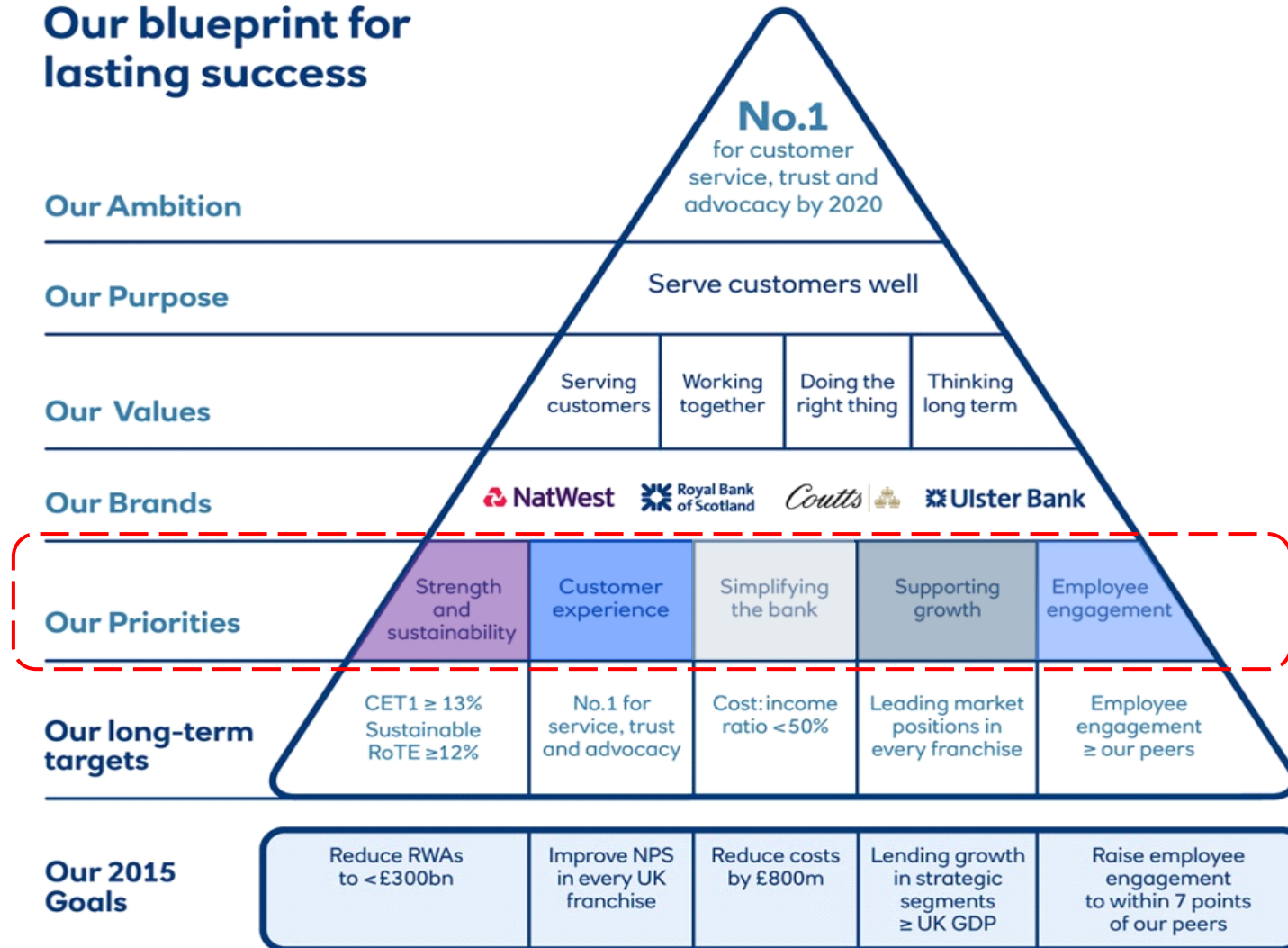
Summary

Q&A

Our Priorities help define our 2015-17 Transformation Plan



Our blueprint for lasting success



Our Priorities help define our 2015-17 Transformation Plan



Strength & Sustainability



Resilience



Security



Mandatory



Williams & Glyn



ICB

Customer Experience



Digital



Branch Transformation



On-boarding



Product Rationalisation



Lending

Simplifying the Bank



Technology



CIB Re-platforming



Property



Third Party Costs

Supporting Growth



Mortgages



Data



Payments

Employee Engagement



Sales & Service Training



Workforce Enablement



Banker Tools

We continue to invest over £1bn per annum in our Transformation Plan



Strategic Theme	2015 Target	2015 – 2017 Target
Strength & Sustainability	(640)	(1,560)
Employee Engagement	(90)	(190)
Simplifying the Bank	(200)	(590)
Customer Experience & Supporting Growth	(410)	(1,150)
Total	(1,340)*	(3,490)*

* Excludes investment in property exits & refurbishments (~£650m), 'Other Discretionary' (~£550m) and W&G and ICB investment (~£1.5bn). Rounded to nearest 10

The Transformation Plan includes technology, mandatory, process improvement and cost reduction prog's



Strength & Sustainability	Customer Experience	Simplifying the Bank	Supporting Growth	Employee Engagement
<div></div> <div>Resilience</div>	<div></div> <div>Digital</div>	<div></div> <div>Technology</div>	<div></div> <div>Mortgages</div>	<div></div> <div>Banker Tools</div>
<div></div> <div>Security</div>	<div></div> <div>Branch Transformation</div>	<div></div> <div>CIB Re-platforming</div>	<div></div> <div>Data</div>	<div></div> <div>Workforce Enablement</div>
<div></div> <div>Williams & Glyn</div>	<div></div> <div>On-boarding</div>	<div></div> <div>Property</div>	<div></div> <div>Payments</div>	<div></div> <div>Sales & Service Training</div>
<div></div> <div>Mandatory</div>	<div></div> <div>Product Rationalisation</div>	<div></div> <div>Third Party Costs</div>	<div>Key Technology-Led Programmes</div>	
<div></div> <div>ICB</div>	<div></div> <div>Lending</div>			
<div>Key Mandatory, Process Improvement & Cost Reduction Programmes</div>				

Key Process Improvement and Cost Reduction Programmes



	2015 Target	2016 & 2017 Target
 <p>Branch Transformation</p>	<ul style="list-style-type: none"> ▪ >400 branches transformed ▪ Continued investment in Mobile Branches ▪ Installation or upgrade of more than 300 ATMs, CDMs and ADUs 	<ul style="list-style-type: none"> ▪ Branch transformations, 93% refurbished by 2016 ▪ Further install/upgrade of >900 ATMs, CDMs and ADUs ▪ Higher-capacity networks and secure Wi-Fi
 <p>Sales & Service Training</p>	<ul style="list-style-type: none"> • Rollout of bank-wide training to 7,500 leaders across the Bank to improve the sales & service culture • Provide leadership tools to aid the delivery of a consistent operating rhythm 	<ul style="list-style-type: none"> • More than 60,000 staff completed training, including specific modules on customer sales practices, customer service practices,
 <p>Product Management</p>	<ul style="list-style-type: none"> ▪ Rationalisation of our front and back-book product sets by up to 50%, excluding non-personal lending 	<ul style="list-style-type: none"> ▪ Customer value calculated across all franchises and used to drive decisions ▪ Golden Source of all product features and services
 <p>Onboarding</p>	<ul style="list-style-type: none"> ▪ Simplified personal account opening interviews, reducing time taken by up to 50% ▪ Right first time & 'On Time' delivery >90% for SME, was ~35% ▪ Cut on-boarding times for Business and Commercial customer to 5 & 15 days, from up to 90 days 	<ul style="list-style-type: none"> ▪ 5 min account opening for Personal customers via Tablet & Web Chat ▪ Pre-population of form data ▪ Consistent op. model with technology and processes that are intended to adapt to changes in regulation and customer need
 <p>Lending</p>	<ul style="list-style-type: none"> ▪ Fewer products with quicker time to funds draw-down ▪ Advice provided on product selection ▪ Reduction to one pricing engine for Commercial from 2 	<ul style="list-style-type: none"> ▪ Lending decisions same day for simple applications, down from 5 ▪ Multi-Channel access for lending applications ▪ Consistent pricing model across Commercial

Key Technology Led Programmes



2015 Target

2016 & 2017 Target



Resilience

- CIB UK **data centre rationalisation** complete
- Amstelveen **Data Centre Exit** complete
- Movement of the third-party **hosted service for mobile platform in-house**

- **Technology incidents** experience a year on year reduction of **15%**



Security

- Continue to **rationalise and reduce number of web sites**
- Develop consistent **cyber control framework**
- Continued focus on **disrupting criminal activities** such as money laundering

- **Authentication process simplified** with improved customer experience
- Disrupt fraud by **improved profiling, malware detection and awareness.**
- Capabilities to **hunt sophisticated cyber attacks** extended



Digital

- RBS and NatWest customers can use **Touch ID to securely log-into the mobile app**
- **Mobile app upgraded** to allow Direct Debits and Standing Orders to be viewed / cancelled.
- Customers pay friends and family with accounts at other banks using **PayM**

- Further **development of digital functionality**
- Development of **common digital platform** (myBank) for staff and customers
- Rollout of **Living portal**



Technology

- **>200 duplicate or overlapping applications removed**
- **Standardise security** for customer & staff interactions
- Provision of **new environments in hours not weeks**

- Further **rationalisation (50%) of Top 500 applications**
- **Retro-fit of architectural components** across 200+ legacy applications

Key Technology Led Programmes



Payments



CIB Replatforming



Data



Mortgages



Workforce Enablement

2015 Target

- **SWIFT gateway consolidation**
- **EuroDebit platform decommissioning** plans in place
- Over **500 Nostros removed** from UK & EMEA network

2016 & 2017 Target

- Unified payments capability, **rationalising the number of payments systems and gateways** (80 to 10)

- **Replacement of legacy processes and systems** with new, simpler platform

- **Enterprise Data Warehouse expanded** to include data from 60% of PBB and 20% of CPB sources
- **Enhanced Decisioning** tools improves customer interactions across new channels
- **New business intelligence tools** improve customer service

- **New Golden Sources of data** for customers, workers and products
- **Data quality programme complete** creating operational efficiencies
- **10 legacy data warehouses decommissioned**

- RBS, NatWest and Ulster core **processing platforms upgraded**
- **Additional self-service capability** extended to our customers

- **Approve mortgage applications within 1 day for existing customers** and 5 days for new
- **Removal of paper-based processes**
- Deliver **new Mortgage Lending Solution** to support onboarding and deliver self-service capability across all channels

- Giving **~96,000 colleagues 10 times more email capacity**
- Developing a **new bank-wide intranet platform**
- Providing staff with access to their **desktop on their mobile**

- **Removal of legacy Telephony** Infrastructure
- **Increased collaboration** through instant messaging
- **Reducing the number of desktop** variations

Transforming the Bank



Progress to date

2015 – 2017 Transformation Plan

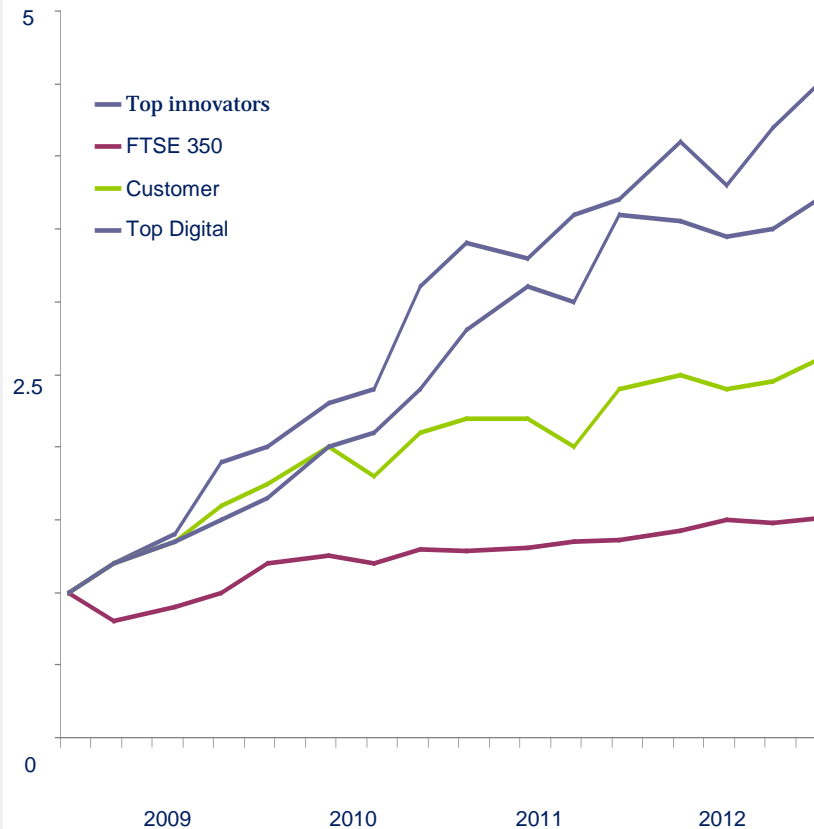
Innovation

Summary

Q&A

Innovative companies out-perform their peers and traditional business models are being redefined

The Opportunity



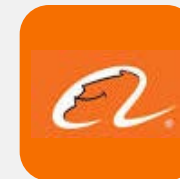
Source: PWC 2013 Global Innovation Survey

The Challenge

*The worlds largest
taxi company
owns no vehicles*



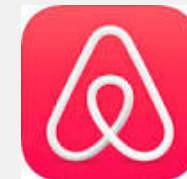
*The worlds most
valuable retailer
has no inventory*



*The worlds most popular
media content owner
creates no content*



*The worlds largest
accommodation provider
owns no real estate*



Customers are demanding innovative solutions, delivered at speed, enabled by new technologies



.....the universal truth in technology is **increasing processing power being placed in the hands of consumers...**

..as a result, **empowered consumers** are demanding **innovative solutions**, delivered at **speed**, enabled by **technology**.

...successful organisations (and ones that we look to invest in) will be those that are able to **leverage** these **new technologies in unique and differentiated ways**.



ANDREESSEN
HOROWITZ

Areas of Innovation



DIGITAL
SOCIETY

1. Mobile
2. Social
3. Wearables
4. Artificial Intelligence



INTEGRITY
& SECURITY

5. Cyber Security
6. Biometrics

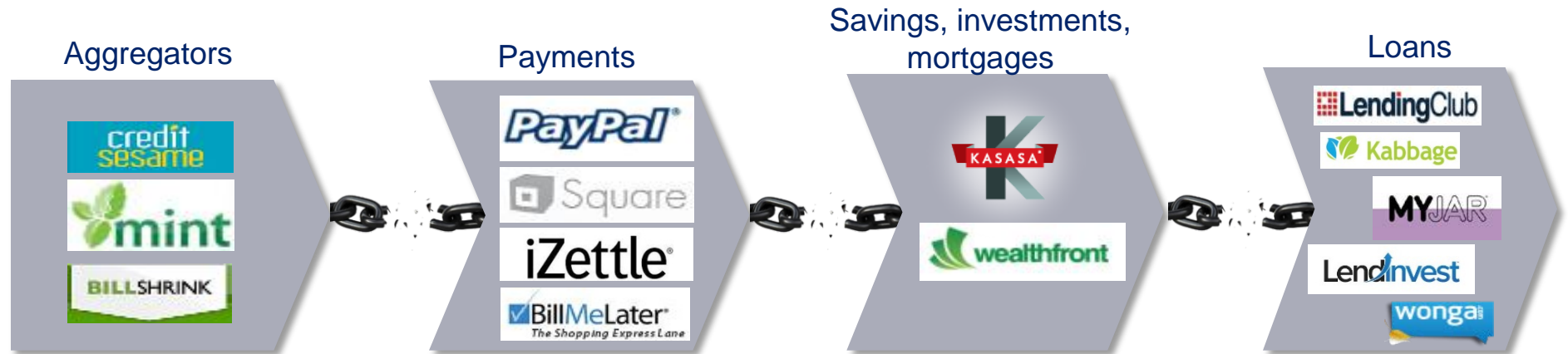


'EVERYTHING
JOINS UP'

7. APIs
8. Advanced Analytics
9. Blockchain
10. Cloud

Disruption in banking is real, with the threat most evident from non traditional players

Banks used to own the entire value chain, but the banking ecosystem is being split



You no longer need a bank to...



...buy or sell currency



...collect money you're owed



...raise funds



...to make an investment

We have strengthened our scouting network around the world and our ability to pilot new ideas



Silicon Valley

- An RBS solutions outpost in Silicon Valley
- Building a network and pipeline of innovative ideas
- Lasting relationships with academics and tech titans



Israel

- An RBS scouting capability in Israel
- Initial focus on security with plans to extend to data analytics, cloud and enterprise solutions



UK / Innovate Finance

- A more robust RBS scouting capability across the UK,
- Seeking ideas and innovative technology start-ups



Strategic Partner Network

- Open Collaboration with a selection of partners to gain thought-leadership
- Innovative ideas, best practice sharing and solve strategic challenges



Trends Analysis Framework

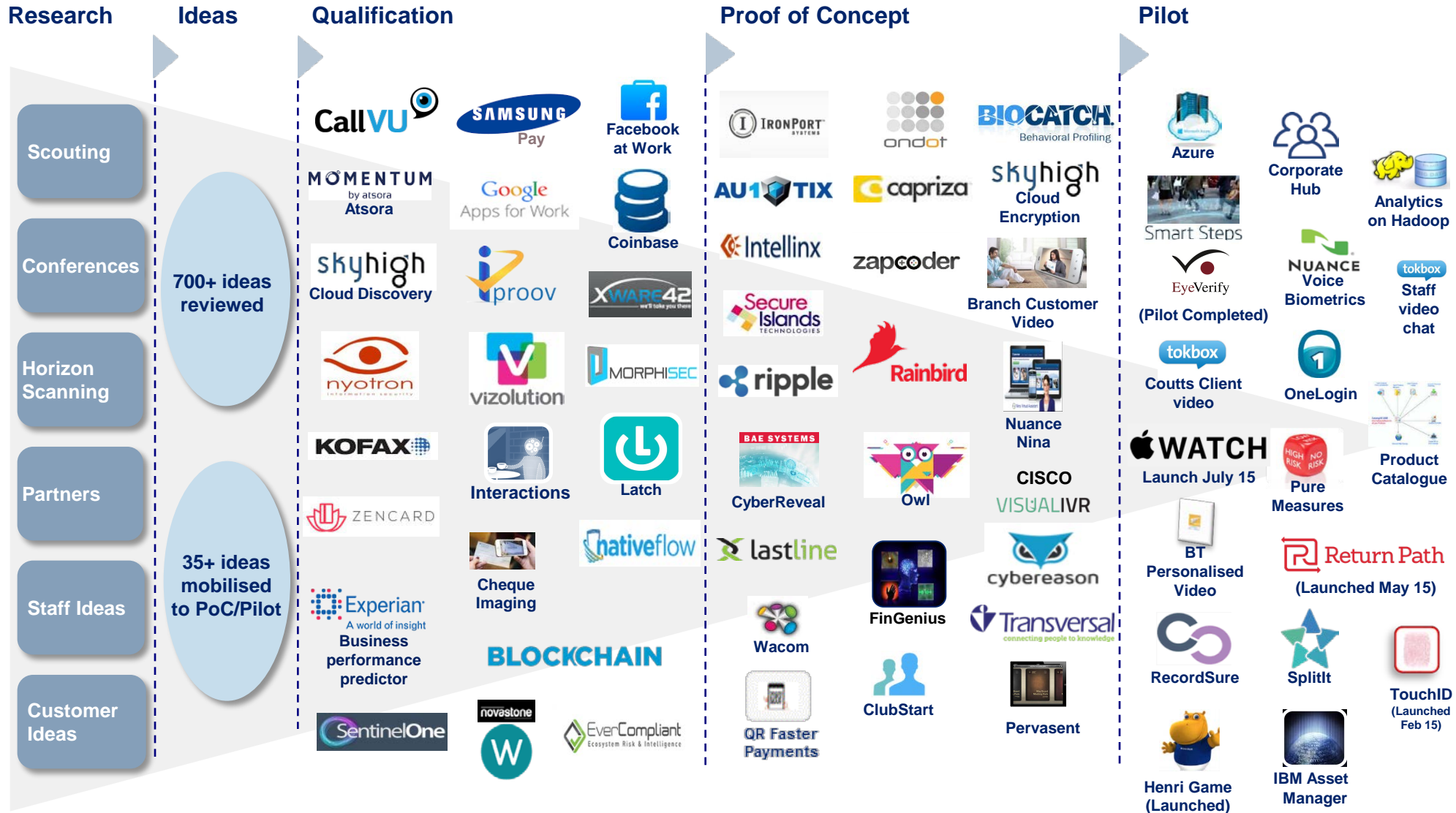
- Rich knowledge base of research, evidence and insight on technology trends
- Use of external developments informing RBS leaders and the external market / clients



Solution Centre

- Provides iterative design and prototyping
- Delivers a safe and secure environment to evaluate innovative new tech.
- Customer concept and usability testing

We have a strong pipeline of ideas that we are progressing to proof of concept and pilot



We continue to focus on new ways of working together across the Bank and with others



Ulster Bank Hackathon



180 attendees



36 great ideas



17 mentors



16 great teams



16 demos



11 judges

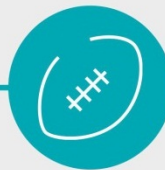
#hackmakethebank



Dozens of prizes

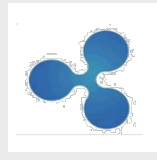


With social media alight

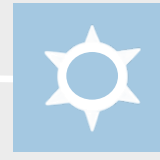


And rugby spot prizes

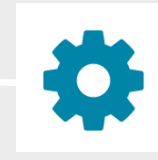
Ripple Code Spike Collaboration



Ripple – disruptive international currency payment technology



Code spike – 3 day intensive collaboration in TSC



Aim to explore Ripple technology and set up on our infrastructure



Brought together 4 expert teams from across Bank



Developed insight into how could turn into an opportunity



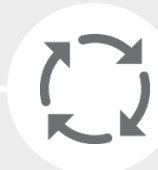
Validated our understanding of how we could use the technology



Achieved a huge amount in 2 days



Presented ideas to range of business stakeholders on day 3



Will re-use model due to success

Crypto Currencies Chiasma



2.5 day design thinking ideation session



30 people from all walks of life (doctors, entrepreneurs, teams professors)



Organised in small teams



Developed new proposals for use of Crypto Currencies and supporting technologies



Winning ideas receive up to £20k grant to commercialise



Sponsored by Design in Action (DoT government initiative)

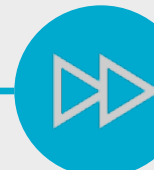
/ict-chiasma-2015



Collaborated closely with Dundee and Edinburgh Universities



Participants impressed by forward thinking design-focus of bank



Teams encouraged to continue working together post Chiasma

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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.