

The Royal Bank of Scotland Group plc

Additional provision for US RMBS investigations and litigation

26 January 2017

The Royal Bank of Scotland Group plc (together with its subsidiaries, "RBS") will announce its Full Year 2016 results on 24 February 2017. Subject to any increase being required by intervening developments, the Q4 2016 results will reflect the taking of a further £3.1bn (\$3.8bn) provision in relation to various investigations and litigation matters relating to RBS's issuance and underwriting of US residential mortgage-backed securities ("RMBS"). This takes the total aggregate of such provisions to £6.7bn (\$8.3bn) as at 31 December 2016. This further provision would have reduced RBS's Tangible Net Asset Value ("TNAV") per share at 30 September 2016 by 27p to 311p and RBS's Q3 2016 CET1 capital ratio by 135bps to 13.6%. This provision does not directly impact the distributable reserves of The Royal Bank of Scotland Group plc.

RBS continues to cooperate with the US Department of Justice ("DOJ") in its civil and criminal investigations of RMBS matters, and RBS considers it appropriate to take this provision now in relation to those investigations as well as other RMBS litigation matters. The duration and outcome of these investigations and other RMBS litigation matters remain uncertain, including in respect of whether settlements for all or any of such matters may be reached.

RBS emphasises that further substantial additional provisions and costs may be recognised and, depending on the final outcome, other adverse consequences may occur (see RBS's existing market disclosures). The existing disclosures also provide further details of the US RMBS-related investigations by the DOJ and other agencies and bodies, including several state attorneys general, and various litigation matters.

Ross McEwan, RBS's Chief Executive Officer, said:

"Putting our legacy litigation issues behind us, including those relating to RMBS, remains a key part of our strategy. It is our priority to seek the best outcome for our shareholders, customers and employees."

Ross McEwan (Chief Executive Officer) and Ewen Stevenson (Chief Financial Officer) will host a conference call for investors and analysts at 8.00am UK time today. A replay of the call will be made available shortly afterwards. Only items relating to the above announcement will be discussed on the call; there will be no references and discussion relating to other matters and the Full Year 2016 results. Dial-in details for the call can be found below.

Dial-in details:

UK: 0800 694 8082
International: +44 (0) 1452 568 172
US: +1 866 966 8024
Conference ID: 60246489

Replay details:

UK FreeCall: 0800 953 1533
Std International: +44 (0)1452 550 000
USA FreeCall: +1 (866) 247 4222
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Forward Looking Statements

This announcement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including those related to RBS and its subsidiaries' regulatory capital position, risk-weighted assets, impairment losses and credit exposures under certain specified scenarios. In addition, forward-looking statements may include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "estimates" and words of similar import. These statements concern or may affect future matters, such as RBS's future economic results, business and

capital plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. These and other factors, risks and uncertainties that may impact any forward-looking statement or RBS's actual results are discussed in RBS's UK Annual Report and materials filed with, or furnished to, the US Securities and Exchange Commission, including, but not limited to, RBS's Reports on Form 6-K and most recent Annual Report on Form 20-F. The forward-looking statements contained in this announcement speak only as of the date of this announcement and RBS does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except to the extent legally required.

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