

Getting on with delivering our Plan

Ewen Stevenson
Chief Financial Officer

- We are focusing back on our broadly-based UK / Irish franchise strengths
- Our Plan is to deliver attractive, balanced and sustainable returns over the medium-to-long term
- Restructuring of our Exit Bank⁽¹⁾ is progressing well, and our other legacy issues are being addressed
- Our Plan is premised on delivering material capital distributions over time

⁽¹⁾ Please refer to slide 3 for an illustrative Exit Bank profile.

A simple Plan – focus on long term shareholder value creation

Phase 1 - 2014	Phase 2 – 2015/16	Phase 3 – 2017 to 2019
Building financial strength	Improve our core business and accelerate our Exit Bank	Becoming Britain's best bank
<ul style="list-style-type: none"> ■ Rebuild capital strength – CET1 ratio +260bps during 2014 ■ De-risk – US ABP, RCR, REILs, liquidity portfolio ■ Start cost reduction plan – £1.1bn lower ■ Simplify our organisational structure – 7 divisions to 3 	<ul style="list-style-type: none"> ■ Accelerate the transformation of our Go-Forward Bank ■ Achieve material RWA reduction in our Exit Bank ■ Address other material remaining legacy issues within our control 	<ul style="list-style-type: none"> ■ Cement customer-centric positioning – #1 for customer service, trust and advocacy by 2020 ■ Achieve attractive, balanced and sustainable financial returns – target 12+% ROTE in 2019
<ul style="list-style-type: none"> ■ Discussions around resumption of dividends / buy-backs ■ Pay out surplus capital above 13% CET1 ratio subject to PRA approval⁽¹⁾ 		

⁽¹⁾ In addition, key milestones before seeking PRA approval for capital distributions would include, among other considerations, reaching the 13% CET1 ratio target, achieving confidence in sustainable profitability, improved stress-testing results and operating within risk appetite, peak of litigation and conduct costs passed and at least £2 billion of AT1 raised.

Our business today

Financial profile – Q1 2015



(£bn)	Illustrative Go-Forward Bank profile (Q1 2015)					Illustrative Exit Bank profile (Q1 2015)							Total RBS
	PBB ⁽¹⁾	CPB ⁽²⁾	CIB Go-Forward ⁽³⁾	Other Go-Forward ⁽⁴⁾	Total Go-Forward	Citizens	CIB Capital Resolution ⁽³⁾	RCR	W&G ⁽⁵⁾	Int'l Private Banking	Other Investments	Total Exit Group	
Income	1.4	1.0	0.5	-	2.9	0.8	0.3	0.1	0.2	-	-	1.4	4.3
Adj. costs ⁽⁶⁾	(0.7)	(0.6)	(0.4)	(0.1)	(1.8)	(0.5)	(0.4)	-	(0.1)	-	-	(1.0)	(2.8)
Impairment releases	-	-	-	-	-	-	-	0.1	-	-	-	0.1	0.1
Adj. op. profit ⁽⁶⁾	0.7	0.4	0.1	(0.1)	1.1	0.3	(0.1)	0.2	0.1	-	-	0.5	1.6
Funded Assets	142	105	184	94	525	87	64	11	20	6	1	189	714
RWAs	54	73	47	9	183	72	56	17	11	3	7	166	349
Adj. RoE (%) ^(6,7)	25%	11%	nm	nm	13%	7%	nm	nm	nm	5%	nm	7%	10%

⁽¹⁾ Excludes Williams & Glyn. ⁽²⁾ Excludes International Private Banking. ⁽³⁾ The CIB results split into Go-Forward and Capital Resolution elements are based on a modelled approach pending outcomes of ongoing implementation planning and therefore is subject to change. ⁽⁴⁾ Other Go-Forward is primarily Centre, which includes the liquidity portfolio. ⁽⁵⁾ Does not reflect the cost base, funding and capital profile of a standalone bank. ⁽⁶⁾ Excludes restructuring and litigation and conduct costs. ⁽⁷⁾ Segmental ROE is calculated using operating profit after tax on a non-statutory basis adjusted for preference share dividends divided by average notional equity (based on 13% of average RWAs). Total RBS ROE is calculated using operating profit after tax on a non-statutory basis less preference dividends divided by average RBS tangible equity.

Our business today

Improved safety and soundness



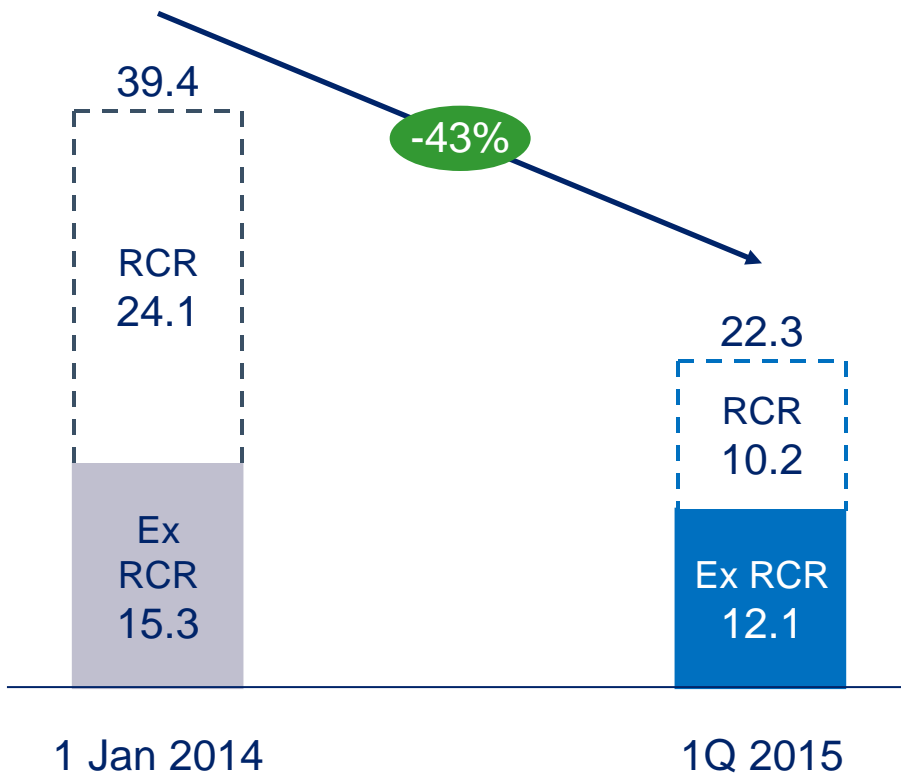
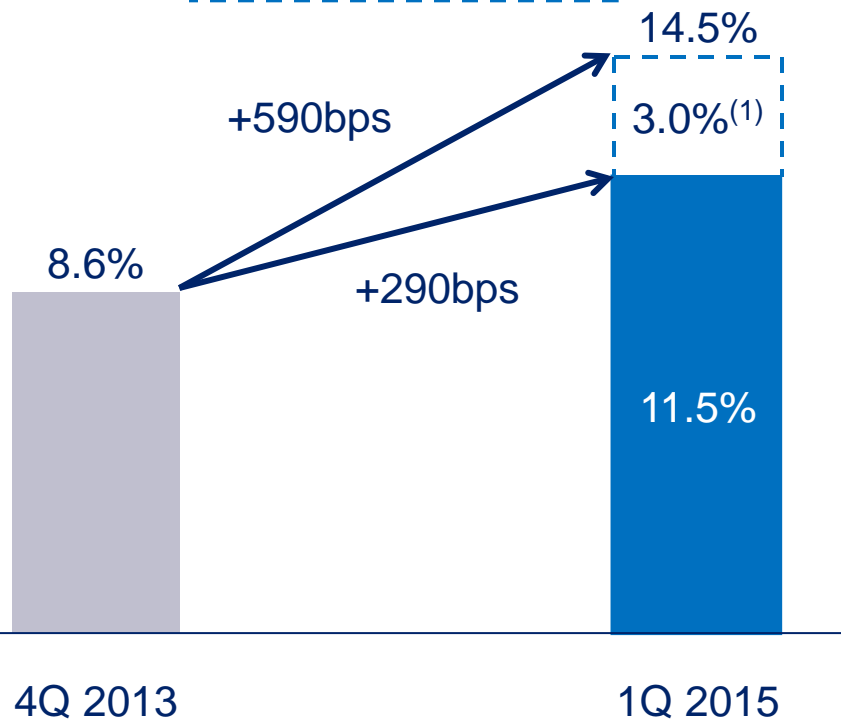
CET1

NPLs⁽²⁾

13.0% target

Pro-forma for full Citizens
de-consolidation
(41% ownership today)

£bn



⁽¹⁾ Pro-forma impact of the full disposal of Citizens at 31 Mar 2015. Assumes full removal of RWAs and, for simplicity, no capital impact. ⁽²⁾ NPLs = Risk Elements in Lending in the Company Announcement.

Our business today

Three distinctly different business needs



Go-Forward Bank		Exit Bank
28% Q1 2015 RWAs ⁽¹⁾	22% Q1 2015 RWAs ⁽¹⁾	48% Q1 2015 RWAs ⁽¹⁾
Invest to grow	Reposition for returns	Dispose or close
PBB UK ⁽²⁾	Ulster Bank	Citizens
Commercial Banking	CIB Go-Forward	CIB Capital Resolution
	Private Banking UK	RCR
		Williams & Glyn
		Private Banking ex. UK

⁽¹⁾ Additional 2% of Q1'15 RWAs is within the Other Go-Forward which is primarily Centre, which includes the liquidity portfolio. ⁽²⁾ Excludes Williams & Glyn.

Our Go-Forward Bank

Building on our franchise strengths



Franchise position		FY 2014 Illustrative Go-Forward Bank	
<u>UK</u>			<u>£bn</u>
Personal Banking	#2 ⁽¹⁾	RWAs	186
Private Banking	#1 ⁽²⁾	Revenues	12.1
Business Banking	#1 ⁽³⁾	Adj. costs ⁽⁷⁾	7.6
Commercial	#1 ⁽⁴⁾	Adj. RoE ⁽⁷⁾	13%
Corporates / £	#1 – #3 ⁽⁵⁾	Target cost / income	<50%
<u>Republic of Ireland</u>	#3 ⁽⁶⁾		

⁽¹⁾ #2 GB Personal main current accounts. Source: GfK FRS, RBS and NatWest market share, 6 months ending April 2015. ⁽²⁾ #1 UK Private bank (7% Customer Assets and Liabilities). ⁽³⁾ 22% share of GB Business Banking main bank relationships. Source: Charterhouse Research GB Business Banking Survey, 12 months ending March 2015, based on 12,278 businesses with annual turnover of £0 - £2m (2,899 start-ups), weighted by region and turnover to be representative of businesses in GB (GB – UK excluding Northern Ireland). ⁽⁴⁾ Charterhouse Research GB Business Banking Survey, 12 months ending March 2015, 30% RBS and NatWest market share based on 2,388 businesses with annual turnover of £2 - £25m. ⁽⁵⁾ #1 - European Large Corporate Banking Greenwich Share Leader - United Kingdom Greenwich Quality Leader - European Large Corporate Banking - United Kingdom. Source: Greenwich Associates Share Leaders 2014. Top 3 for £ DCM issuance among both Corporates and Financial Institutions. Source: Dealogic. ⁽⁶⁾ #3 14% share of main money transmission account ("MTA") in RI UB Corporate, source: PWC Business Banking Tracker Survey 2014. #3 14% share of main MTA in RI UB Retail, source: Ipsos Mori MFS Tracking Study Q1 2015. ⁽⁷⁾ Excludes restructuring and litigation and conduct costs. Segmental ROE is calculated using operating profit after tax on a non-statutory basis adjusted for preference share dividends divided by average notional equity (based on 13% of average RWAe). Total RBS ROE is calculated using operating profit after tax on a non-statutory basis less preference dividends divided by average RBS tangible equity.

Improving our Go-Forward Bank 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
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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
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Percentage change

52%

40%

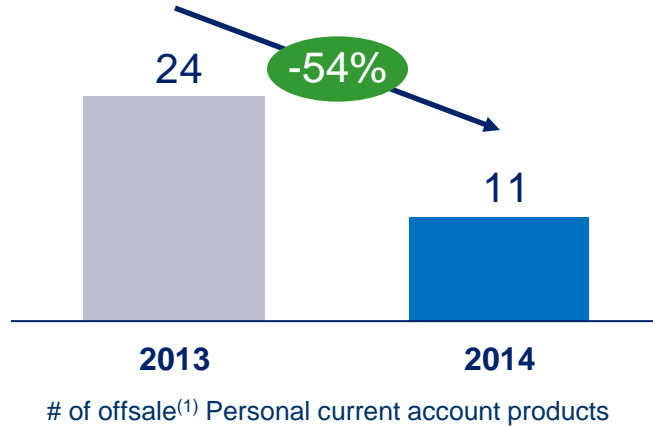
NM

211%

We are making our Go-Forward Bank simpler



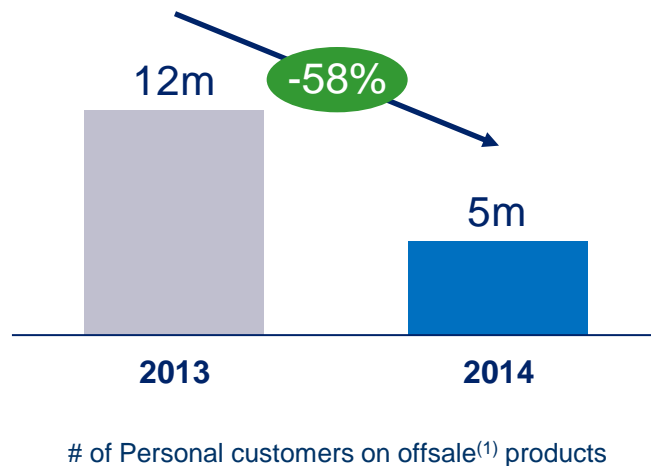
We have simplified our current account....



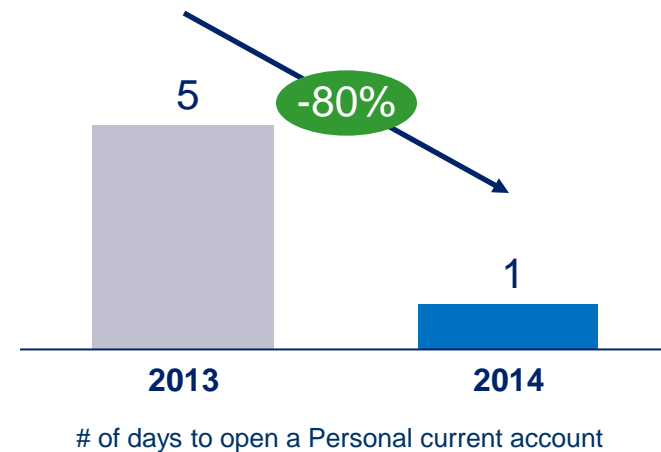
... and savings product ranges



We have moved customers off no-longer offered products...



...and improved account opening processes



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

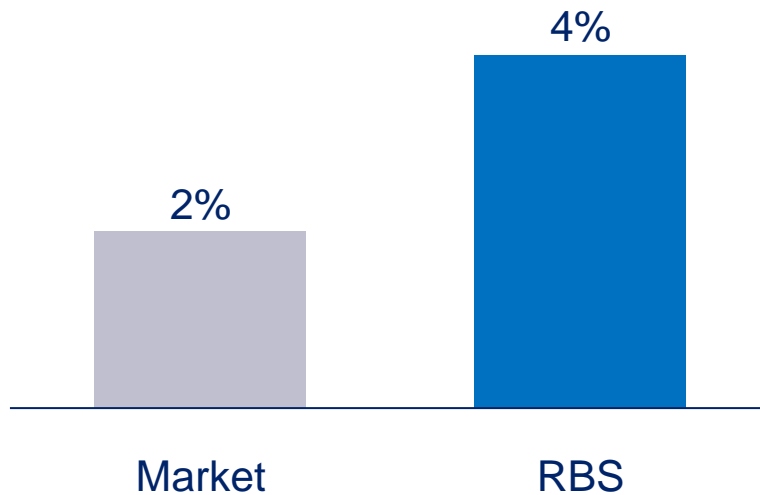
Our Go-Forward Bank

UK PBB – significant upside potential in mortgages

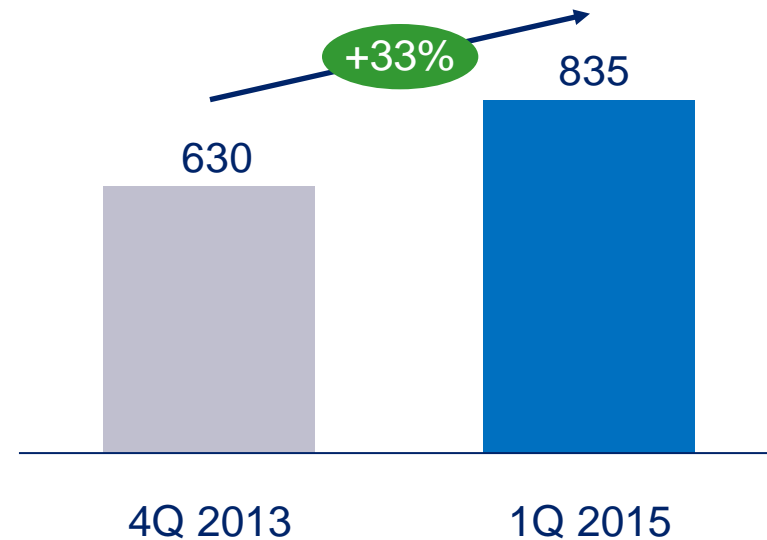


- UK PBB delivered £5.2bn of revenue in 2014 (43% of the Go-Forward Bank)
- Gross mortgage lending up 37% Y/Y in 2014
- £0.4bn net mortgage growth in Q1 2015
- March applications up 10% Y/Y

2014 UK mortgage growth



RBS mortgage advisors



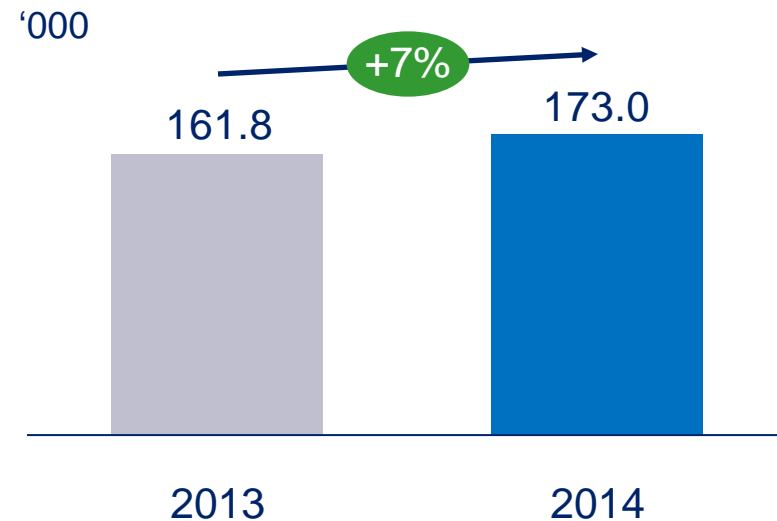
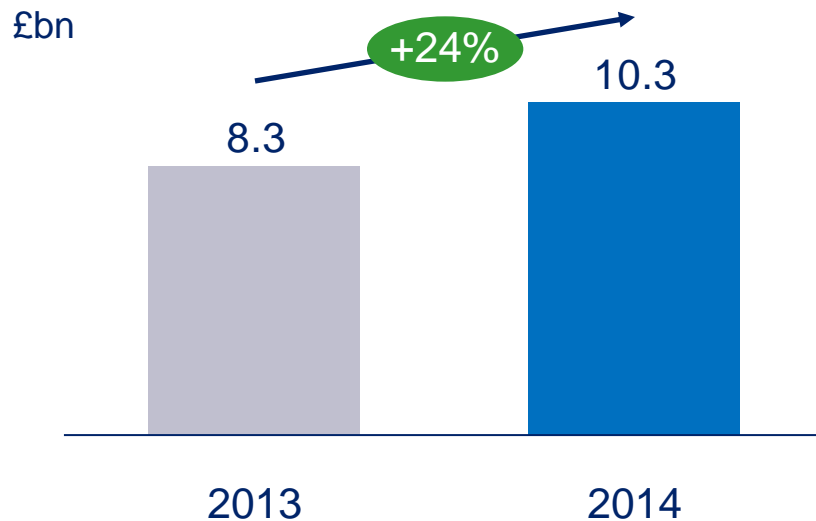
Our Go-Forward Bank Commercial Banking – #1 UK franchise



- Delivered £3.2bn of revenue in 2014 (26% of the Go-Forward Bank)
- #1 UK Corporate bank⁽¹⁾
- £89bn in customer L&A balances (Q1 2015)
- 1Q 2015 net new loan growth of £1.3bn

SME⁽²⁾ gross lending up 24%

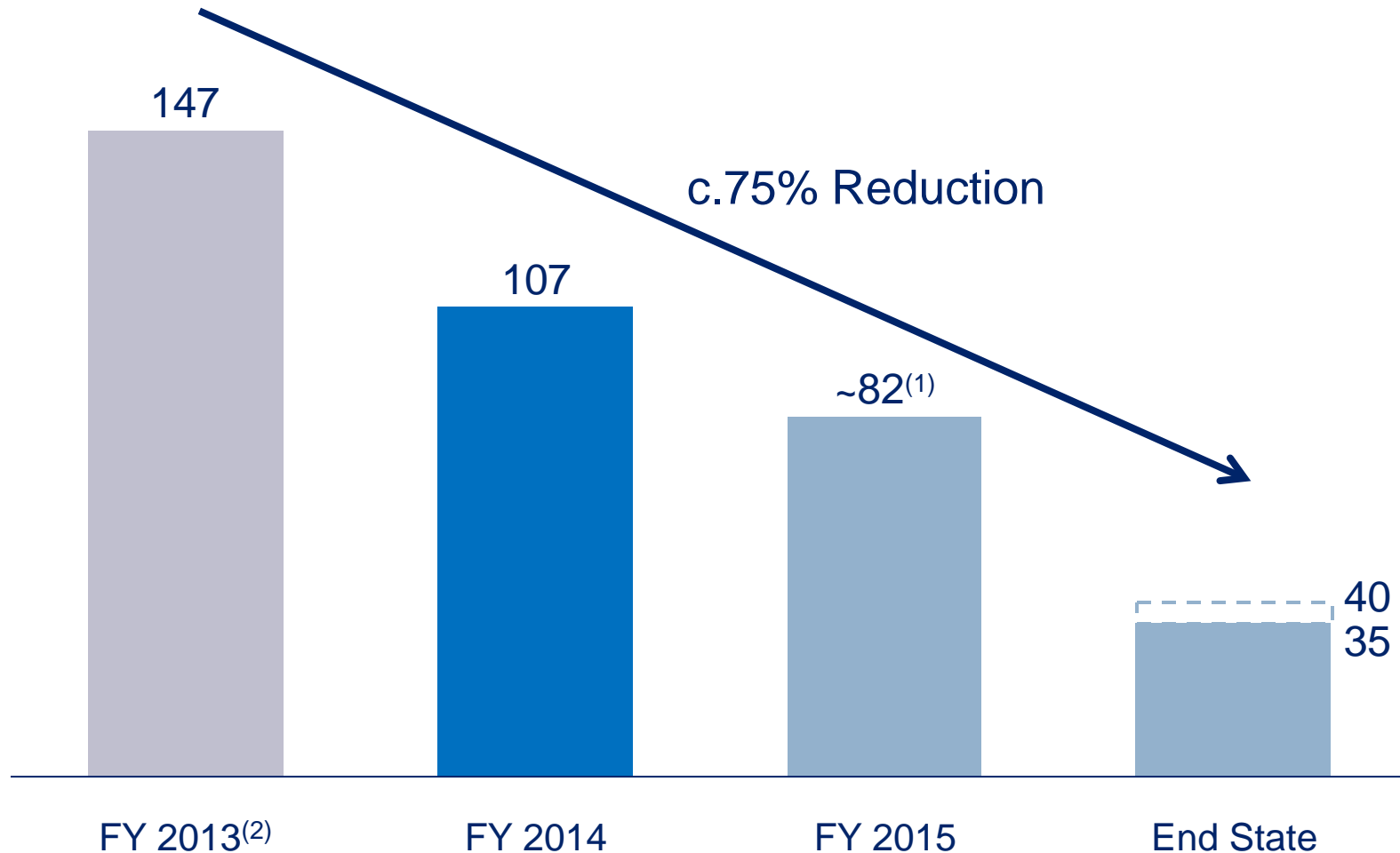
SME⁽²⁾ applications up 7%



Our Go-Forward Bank Focused CIB presence



CIB Risk Weighted Assets (£bn)



⁽¹⁾ Target to reduce CIB RWAs by £25bn during 2015. ⁽²⁾ Presented on a CRDIV basis.

Our Exit Bank

Target material reduction from Q4 2014 to Q4 2016



	2015	2016
Citizens	<ul style="list-style-type: none">Further sell-down	<ul style="list-style-type: none">Full exit
CIB Capital Resolution	<ul style="list-style-type: none">≥£25bn RWA reduction	<ul style="list-style-type: none">Further RWA reduction
RCR	<ul style="list-style-type: none">Wind-down	–
Williams & Glyn		<ul style="list-style-type: none">Targeting IPO in Q4 2016 (full exit 2017)
International Private Banking	<ul style="list-style-type: none">Partial completion	<ul style="list-style-type: none">Full exit

Other issues we need to address



Conduct and litigation ⁽¹⁾	Capital	Regulatory / accounting developments
Dealing with legacy issues	Normalising capital structure for the new regulatory environment	Readying the bank for future developments
<ul style="list-style-type: none"> ■ US RMBS regulatory settlements / litigation ■ On-going FX investigations ■ UK customer redress ■ 2008 capital raising class action suit 	<ul style="list-style-type: none"> ■ Commencing TLAC programme ■ Making final DAS payment (£1.18bn) ■ Resuming dividends / buybacks⁽²⁾ ■ Managing for value the existing T1 / T2 capital stack⁽³⁾ 	<ul style="list-style-type: none"> ■ Preparing for ring-fencing ■ Enhancing the resolvability of the bank ■ Preparing for the introduction of IFRS9

⁽¹⁾ Please refer to risk factors and other uncertainties discussed in RBS's 2014 annual report filed on Form-20F. Please also refer to the litigation, investigations and reviews section in RBS's 2014 annual report filed on Form-20F and in the Notes to RBS's Q1 2015 Results filed on Form 6-K. ⁽²⁾ Subject to PRA approval. In addition, key milestones before seeking PRA approval for capital distributions would include, among other considerations, reaching the 13% CET1 ratio target, achieving confidence in sustainable profitability, improved stress-testing results and operating within risk appetite, peak of litigation and conduct costs passed and at least £2 billion of AT1 raised. ⁽³⁾ Subject to regulatory approval.

- Building a UK / Irish-focused bank targeting 12%+ RoTE from a lower risk franchise
- Number of legacy issues remain to be addressed
- On track to deliver 2015 financial targets - £800m⁽¹⁾ lower costs and RWAs to below £300bn
- Wind-down of Exit Bank – targeting substantial progress by end 2016

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

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.

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