2015 Annual Results and Update on Strategic Progress

26 February 2016

Howard Davies

Chairman

Ross McEwan

Chief Executive Officer

Today's presentation

Ambition to be #1 for customer service, trust and advocacy

In 2015 we went further, faster on our plan:

- Accelerated the exit of assets that do not meet our strategy
- Began improving our core businesses to deliver sustainable returns
- Delivered good results against our 2015 targets

Delivered a simpler bank and a clearer investment case in 2015

Continue to deal with significant risks/issues

Our focus:

- Creating great core businesses and long-term shareholder value
- Clearing the path to position for future capital distributions(1)

Delivering on the second phase of our plan

Improving core businesses and addressing residual conduct issues

Phase 1 – 2014

Building financial strength

- Rebuild capital strength – CET1 ratio +260bps during 2014
- De-risk – US ABP, RCR, NPLs, liquidity portfolio
- Start cost reduction plan – £1.1bn savings achieved
- Simplify our organisational structure

Phase 2 – 2015/16

Improve our core businesses and deal with Citizens, Capital Resolution, and Williams & Glyn

- Accelerate the transformation of our core businesses
- Achieve material RWA reduction from our Capital Resolution exit
- Address other material remaining issues

Phase 3 – 2017 to 2019

Becoming #1

- 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

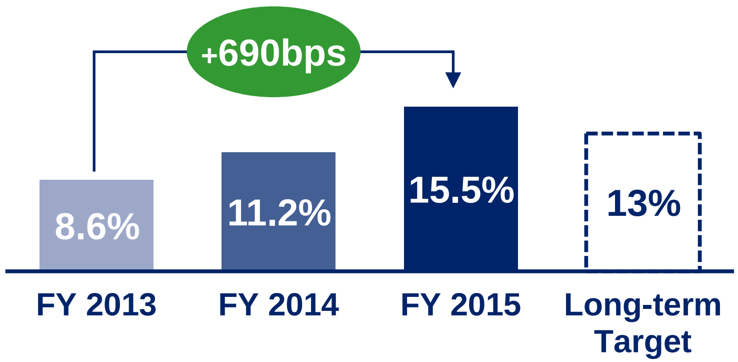
- Discussions around resumption of dividends / buy-backs(1)
- Pay out surplus capital above 13% CET1 ratio subject to PRA approval(1)

Building long term shareholder value

We can demonstrate two years of progress against our strategy

Improved capital strength

CET1 capital ratio



Simpler and more resilient

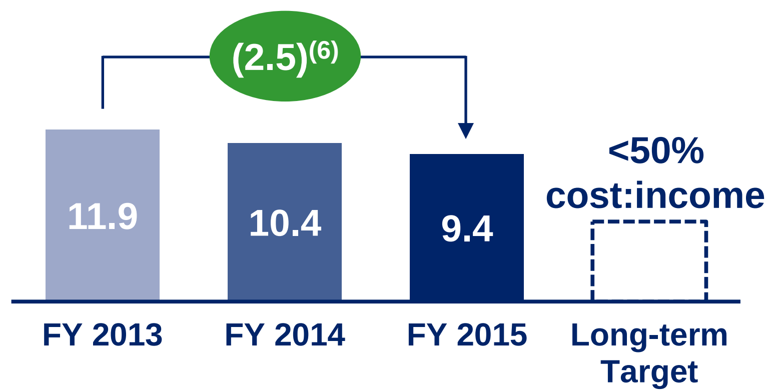
	Property	Structure	Products	Systems
	# London properties	*# registered companies*	*# front book products*	*# major banking platforms*
2013	11	1,107	416[2]	651
	↓ 27%	↓ 34%	↓ 19%	↓ 13%
2015	8	733	339	568
Target	5	~500	<300	~150

Increasingly focused on home markets

	Income from UK	RWAs in Personal, Business & Commercial[4]
FY 2013[3]	63%	79%
FY 2015	88%	81%
Target	~90%	~85%

Lower cost base

Adjusted Operating Expenses[5] (£bn)



We went further, faster in 2015

A clear record of delivering our goals

Priorities	2015 Goals	2015 delivery
Strength & sustainability	Reduce Risk-Weighted Assets (RWAs) to <£300 billion	£243 billion, a reduction of £113 billion
	RCR exit substantially complete	Funded assets down 88%.[7] Residual £4.6bn of assets within Capital Resolution
	Citizens deconsolidation	Sold full stake a year ahead of schedule, allowing full deconsolidation
	£2 billion of AT1 issuance	Successfully issued $3.15 billion of AT1 capital notes (£2 billion equivalent)
Customer experience	Improve NPS in every UK franchise	Year-on-year significant improvement in NatWest Business Banking, RBS Business Banking and Ulster Bank Personal Banking (NI)
Simplifying the bank	Reduce costs by £800 million[8], target exceeded and increased to >£900 million	Achieved £983 million[8] of cost savings
Supporting growth	Lending growth in strategic segments ≥ nominal UK GDP growth	4.8% growth achieved in UK PBB and Commercial Banking in 2015, exceeding nominal UK GDP growth[9]
Employee engagement	Raise employee engagement index to within 8% of GFS Norm	Surpassed employee engagement goal, +6 points to within 3 points of GFS

Doing more with our customers

We are investing to win their loyalty and more of their business

Highly qualified & engaged people

~5,500 front line staff completed certified banking skills programmes with a further ~11,000 enrolled

Employee Engagement index +6pt to within 3pt of GFS Norm

Better service

Business current account opening times halved

Number of mortgage advisers +21%

Higher quality earnings from a lower cost base

3.7 million mobile app users in UK, +27% on 2014

50% of branch network now modernised, including 322 branches in 2015

More efficient distribution

One of the 1st UK banks to offer the Help to Buy: ISA

Your first steps onto the property ladder

Reward account; 3% back on household bills with £3 a month account fee

3% BACK on household bills

Simple as that

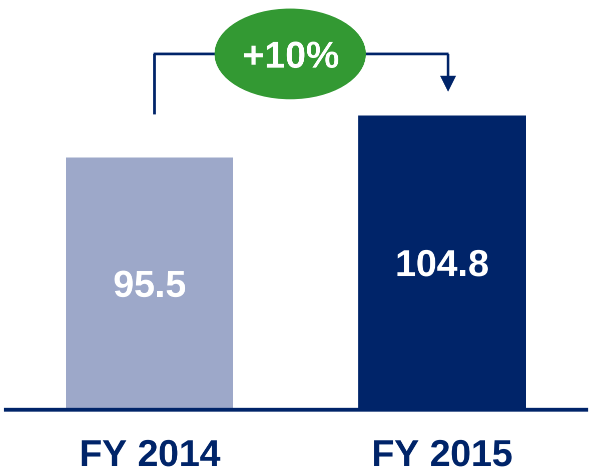
Better products

Doing more with our customers

Good growth in our core businesses

UK Personal & Business Banking[10]

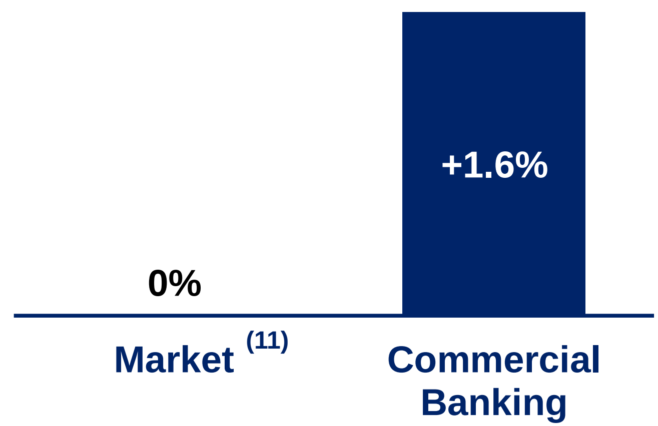
Stock of UK PBB mortgage lending (£bn)



- £23bn of gross mortgage lending during 2015, up 29% versus 2014
- New mortgage business market share reached 10.5% for FY 2015 versus a stock share of 8.2%

Commercial Banking

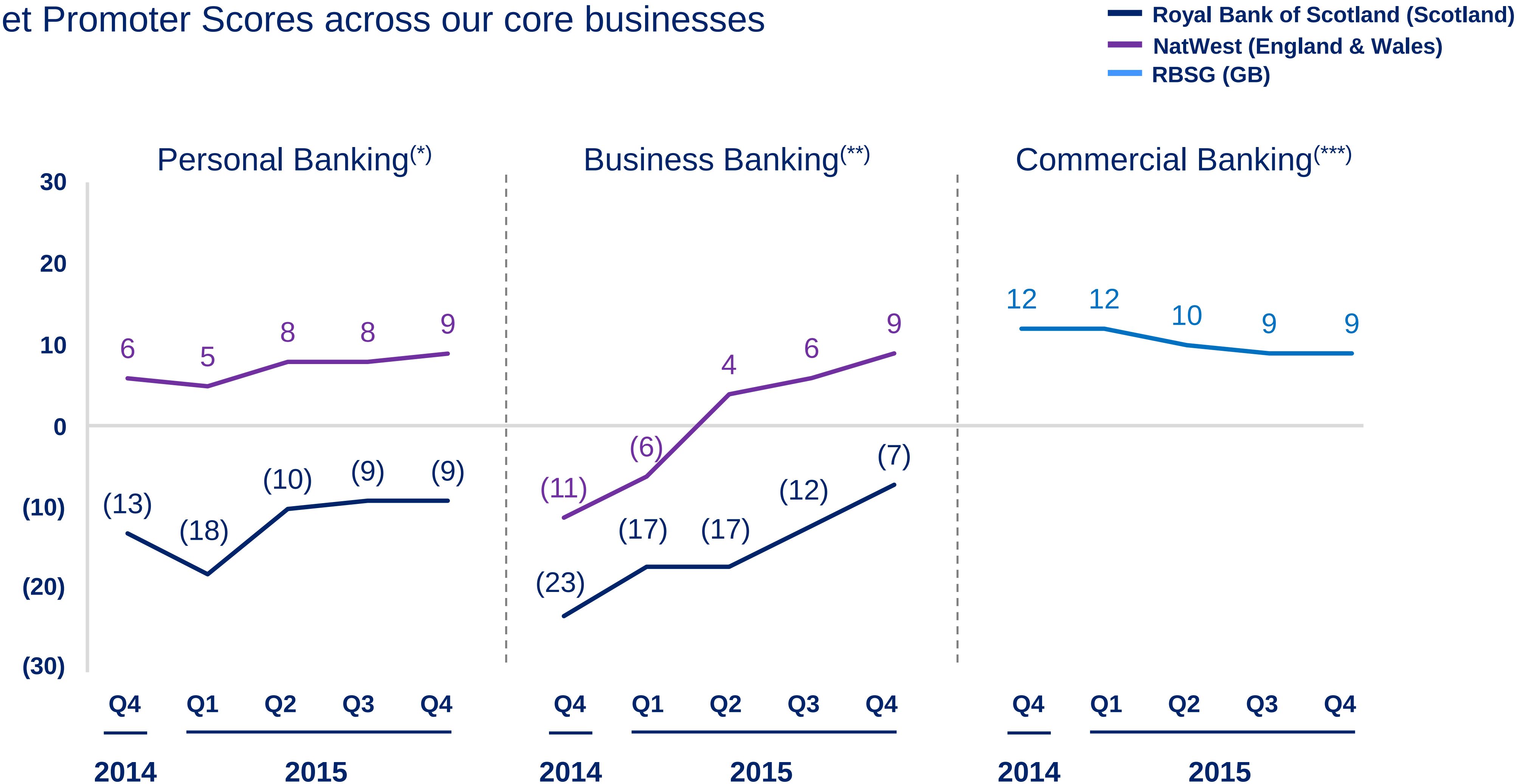
Growth in stock of lending to businesses, FY 2015



- Net new lending of £1.4bn includes a £2.2bn reduction in net lending due to the legacy portfolio in Commercial Banking
- 12,500 statements of appetite issued offering up to £8bn of new lending

NatWest Personal and Business Banking NPS are at their highest point since 2010

Net Promoter Scores across our core businesses



(*) Personal Banking: Source GfK FRS, 6 month roll. Latest base sizes: NatWest (3509) Royal Bank of Scotland (623) Question "How likely is it that you would to recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?" Base: Claimed main banked current account customers. Year on year increases are not significant. (**+***) Business & Commercial Banking: Source Charterhouse Research Business Banking Survey, quarterly rolling. Latest base sizes, Business £0-2m NatWest (1351) Royal Bank of Scotland (432) (***) Commercial: £2m+ combination of NatWest & Royal Bank of Scotland in GB (872) Question: "How likely would you be to recommend (bank)". Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain. The year on year improvements in Business Banking are significant.

Our plan to improve returns and performance

Each business is taking a clear set of actions

- Income and RWA figures are business as a % of FY15 adjusted Income (£11,422m) and RWAs (£175bn) across all 6 core businesses:

	UK PBB	Commercial Banking	RBS International
Invest to Grow	46% Income 19% RWAs Adj. cost:income ratio: 58%	28% Income 41% RWAs Adj. cost:income ratio: 55%	3% Income 5% RWAs Adj. cost:income ratio: 43%
Actions	▪ Increase mortgage market penetration ▪ Deepen customer relationships ▪ Achieve positive operating jaws	▪ Grow lending and non-interest income ▪ Deepen customer relationships ▪ Achieve positive operating jaws	▪ Grow support for Funds and mortgage customers ▪ Increase capital efficiency ▪ Reposition as a NRFB

	Ulster Bank RoI	Private Banking	CIB
Reposition for Returns	5% Income 11% RWAs Adj. cost:income ratio: 78%	6% Income 5% RWAs Adj. cost:income ratio: 80%	12% Income 19% RWAs Adj. cost:income ratio: 104%
Actions	▪ Significant cost reduction ▪ Increase capital efficiency by reducing NPL and drag from tracker mortgages ▪ Support the ongoing Irish macro recovery	▪ Significant cost reduction ▪ Drive growth by leveraging great brands, and Commercial and UK PBB customer base	▪ Continue multi-year transformation: - Stabilise income and cut costs - Reduce RWAs - Connect to Commercial

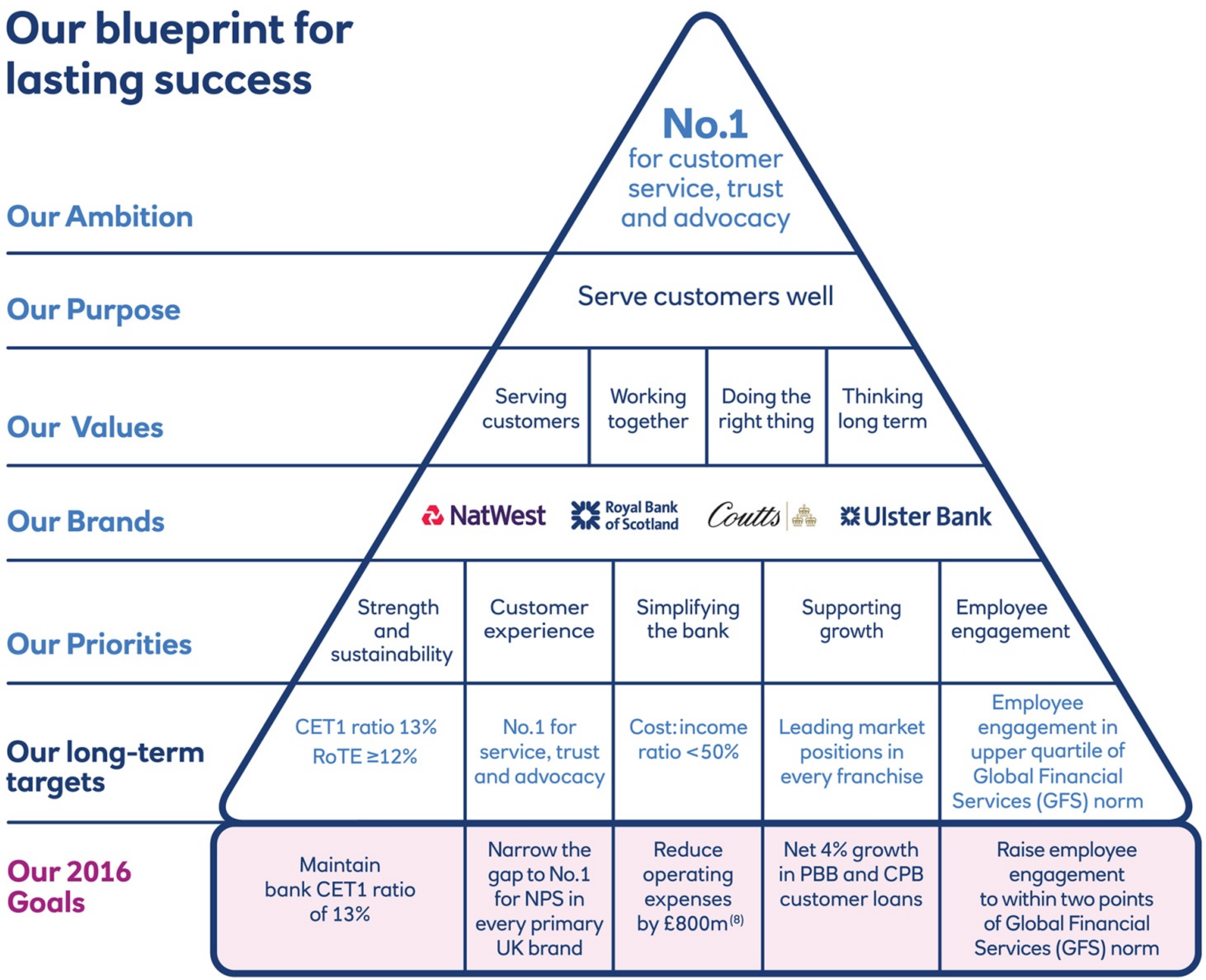
The future investment case

Stronger returns from a leading, lower risk UK bank

	RBS in 2019*		
# 1 Service[15]	Personal & Business Banking (PBB)	Commercial & Private Banking (CPB)	Corporate & Institutional Banking (CIB)
Leading market positions[16]	#2 UK Personal Current Accounts #2 UK business bank main relationship #3 ROI Personal Current Accounts	#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[16]	UK and RoI centred bank with focused international capability 85% of RWAs in PBB and CPB / 15% in CIB Cost:income ratio <50% 12+% RoTE from a lower risk franchise		

* Note: RBS in 2019 does not reflect the changes to the structure of RBS that will be necessary to comply with ring-fencing legislation

Delivery goals for 2016



Building core strength

Stronger capital position

Simpler - costs down

Better for customers

Growth in core businesses

Ewen Stevenson

Chief Financial Officer

FY 2015 – P&L

(£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Adjusted Income[17]	13,034	(14%)	2,884	(7%)
Total Income	**12,923**	**(15%)**	**2,484**	**(16%)**
Adjusted operating expenses[18]	(9,356)	(10%)	(2,525)	(3%)
Restructuring costs	(2,931)	+154%	(614)	+13%
Litigation & conduct costs	(3,568)	+63%	(2,124)	+82%
Write-down of Goodwill	(498)	n.m.	(498)	+0%
Operating Expenses	**(16,353)**	**+18%**	**(5,761)**	**+33%**
Impairment (losses) / releases	727	(46%)	327	(51%)
Operating profit / (loss)	**(2,703)**	**n.m.**	**(2,950)**	**n.m.**
Other items	724	n.m.	210	n.m.
Attributable profit / (loss)	**(1,979)**	**(43%)**	**(2,740)**	**(53%)**
Key metrics				
Net interest margin	2.12%	(1bps)	2.10%	(13bps)
Return on tangible equity	(4.7%)	+4ppts	(26.5%)	+25ppts
Adj. return on tangible equity[17,18]	11.0%	+13ppts	6.6%	+44ppts
Cost-income ratio	127%	+36ppts	232%	+86ppts
Adj. cost-income ratio[17,18]	72%	+3ppts	88%	+4ppts

FY 2015

- Attributable Loss of £2.0bn; adj. Operating Profit of £4.4bn
- Income down 15% principally driven by Capital Resolution and CIB
- Adj. Operating Expenses down 10%; exceeded target
- Impairment Releases driven by RCR and Ulster Bank RoI
- Adj. RoTE of 11.0%

FY 2015 results

(£bn)	Core businesses							Other				Total RBS
	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Total Franchises	Capital Resolution	W&G	Central items & other[19]	Total Other	
Adj. Income[17]	5.2	0.6	3.3	0.6	0.4	1.4	11.4	0.4	0.8	0.4	1.6	13.0
Adj. Operating expenses[18]	(3.0)	(0.4)	(1.8)	(0.5)	(0.2)	(1.5)	(7.4)	(1.5)	(0.4)	(0.1)	(1.9)	(9.4)
Impairment (losses) / releases	0.0	0.1	(0.1)	(0.0)	0.0	0.0	0.1	0.7	(0.0)	(0.1)	0.7	0.7
Adj. operating profit[17,18]	2.2	0.3	1.4	0.1	0.2	(0.1)	4.1	(0.4)	0.5	0.3	0.3	4.4
Funded Assets	143.9	21.2	133.5	17.0	23.1	103.3	442.0	53.4	24.1	33.4	110.9	552.9
Net L&A to Customers	119.8	16.7	91.3	11.2	7.3	16.1	262.4	23.6	20.0	2.0	45.6	308.0
Customer Deposits	137.8	13.1	88.9	23.1	21.3	5.7	289.9	26.0	24.1	6.0	56.1	346.0
RWAs	33.3	19.4	72.3	8.7	8.3	33.1	175.1	49.0	9.9	8.6	67.5	242.6
Adj. RoE (%)[17,18,20]	26.2%	10.6%	10.9%	4.9%	18.9%	(2.0%)	11.2%	n.m.	n.m.	n.m.	n.m.	11.0%
Adj. Cost : Income ratio (%)[17,18]	58%	78%	55%	80%	43%	104%	65%	n.m.	43%	n.m.	n.m.	72%

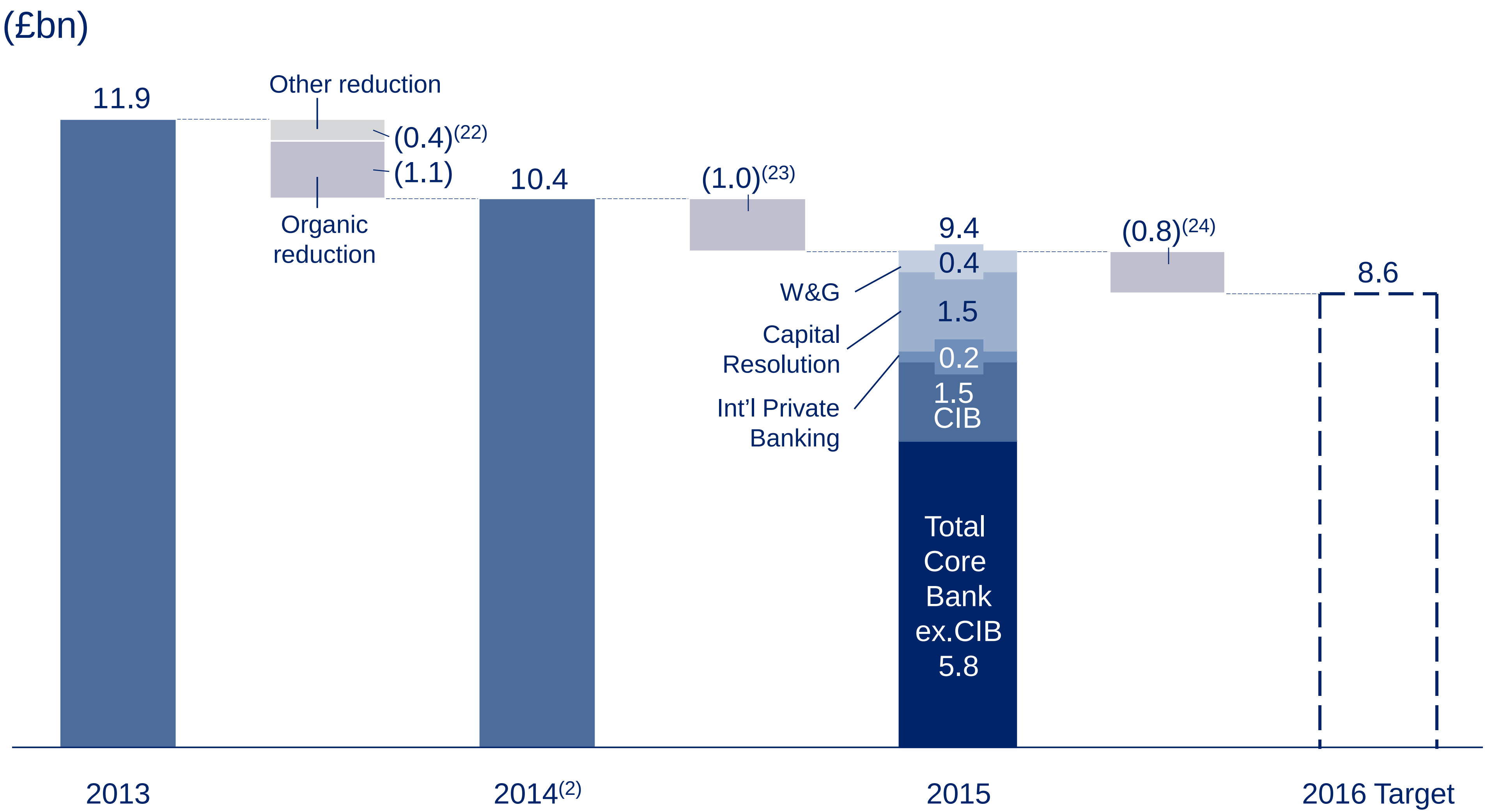
FY 2015 – Balance Sheet

Customer balances (£bn)	FY 2015	Q3 2015	vs.Q3 2015	FY 2014	vs. FY 2014
Funded assets	553	581	(5%)	697	(21%)
Net loans & advances to customers	306	311	(2%)	334	(8%)
Customer deposits	343	346	(1%)	354	(3%)
Liquidity and funding					
Loan-to-deposit ratio (%)	89%	89%	+0ppts	95%	(6ppts)
Liquidity coverage ratio (%)	136%	136%	+0ppts	112%	+24ppts
Liquidity portfolio (£bn)	156	164	(5%)	151	+3%
Capital & leverage[21]					
Leverage exposure (£bn)	703	847	(17%)	940	(25%)
Leverage ratio (%)	5.6%	5.0%	+60bps	4.2%	+140bps
CET1 capital (£bn)	37.6	40.2	(6%)	39.9	(6%)
CET1 ratio (%)	15.5%	12.7%	+280bps	11.2%	+430bps
RWAs (£bn)	242.6	316.0	(23%)	355.9	(32%)
TNAV					
TNAV per share (p)	352p	371p	(19p)	374p	(22p)
Tangible equity (£bn)	40.9	42.9	(5%)	42.9	(5%)

FY 2015

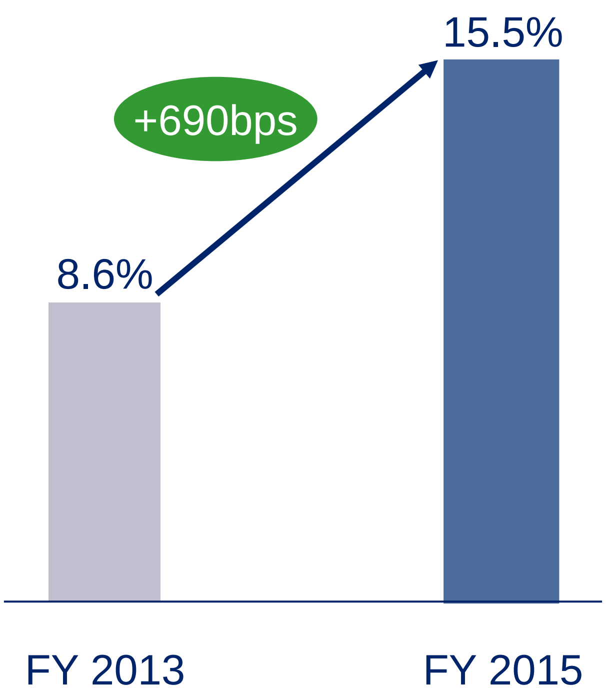
- Funded Assets down 20.7%
- Leverage Exposure down 25.2%
- RWAs down 31.8%
- LDR ratio - 89%
- LCR ratio - 136%
- TNAV per share - 352p

FY 2015 – adjusted operating costs

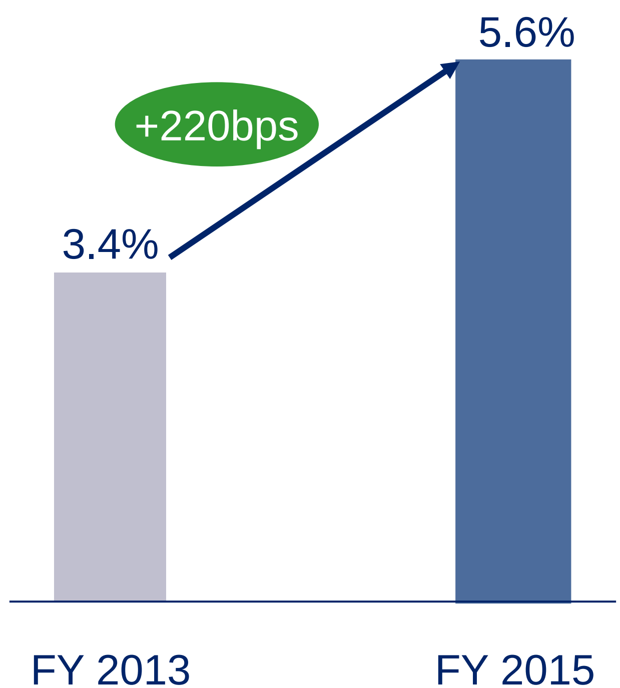


Balance sheet – resilience

CET1 Ratio: 13% Target

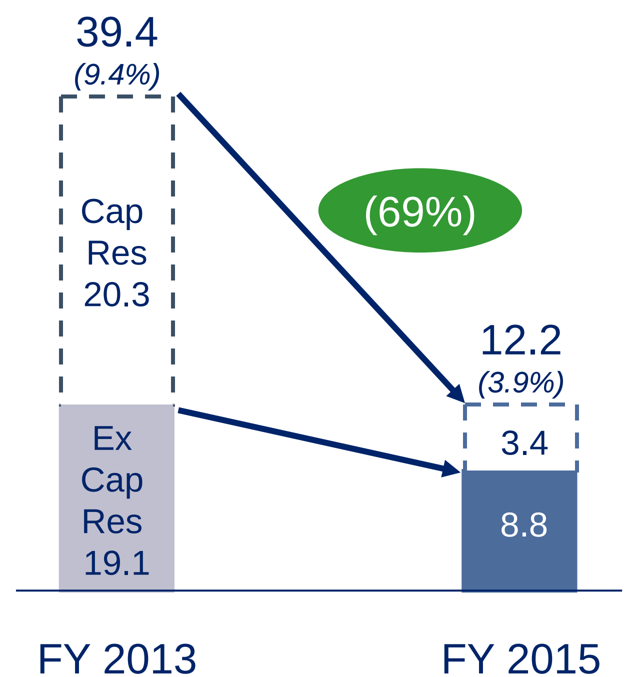


Leverage Ratio



REILs (£bn)

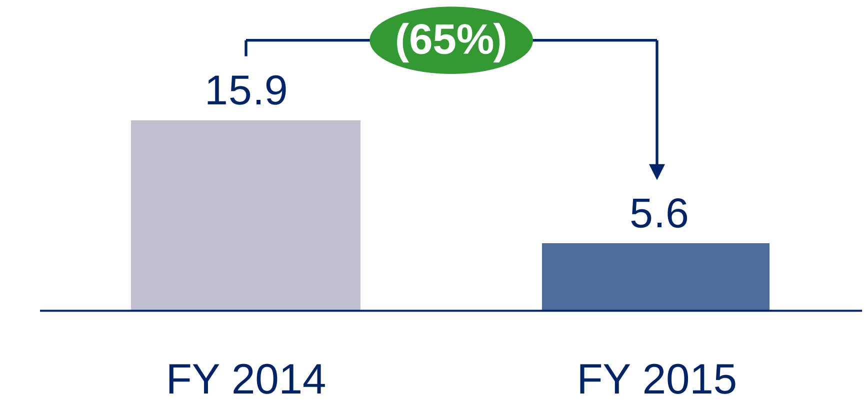
(as % of Total Gross L&As)



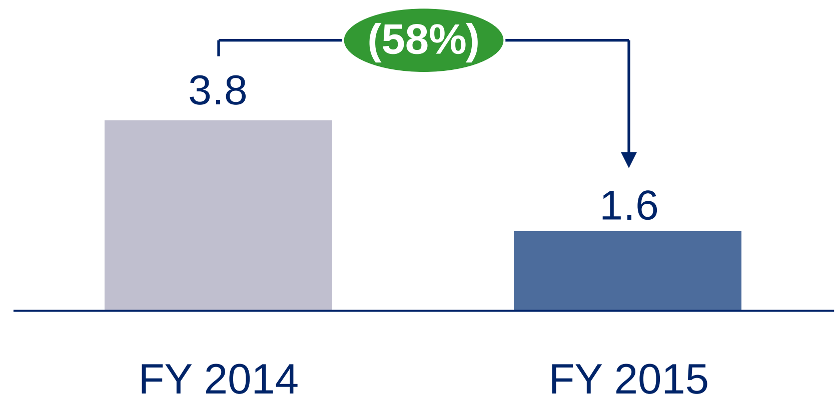
- Excluding Capital Resolution REILs were 3.0% of Total Gross L&As (Ex Capital Resolution) at FY 2015

Balance sheet – selected exposures

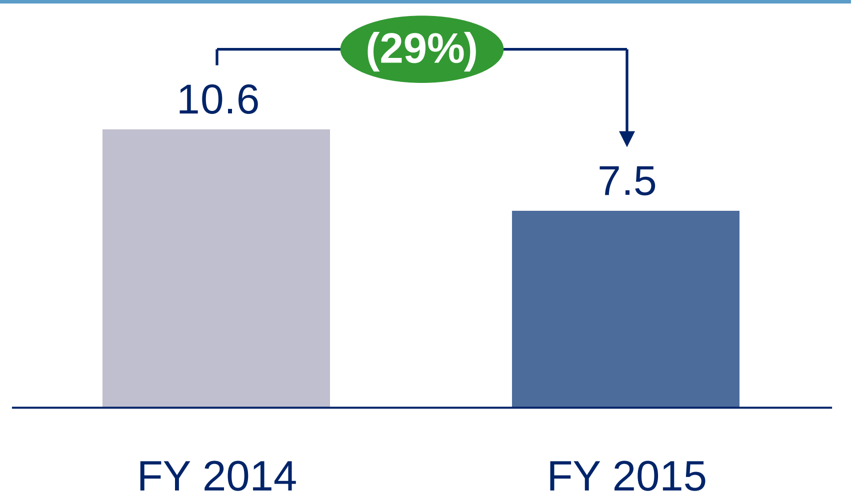
Oil & Gas (£bn)(25)



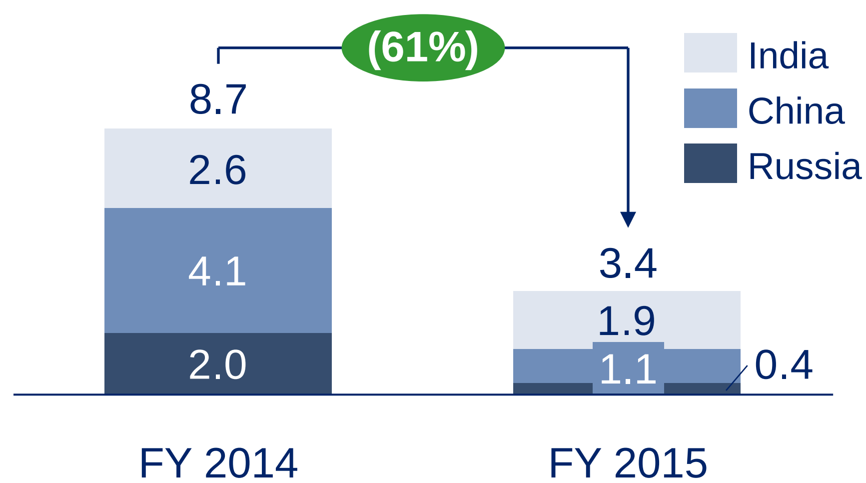
Mining and Metals (£bn)(25)



Shipping (£bn)(25)



Emerging Markets (£bn)(26)



Note: For further information please see p.198 of the 2015 Annual report and accounts and p.30 of the 2015 Annual Results

Legacy businesses & portfolios
Targeting further material reduction by Q4 2016

(£bn)	RWAs FY 2014	RWAs FY 2015	2015	2016 plans
CIB Capital Resolution[27]	67.2	33.6	▪ Exceeded £25bn target RWA reduction for CIB in 2015	▪ Targeting further material RWA reduction by end 2016
Holding in Saudi Hollandi Bank	5.9	6.9		▪ 40% shared holding[28] Exit timing to be confirmed
RCR	22.0	8.5	▪ Wind-down to below 15% of initial funded assets (£5.7bn)	▪ RCR now closed, residual assets now merged into Cap Res
Capital Resolution	**95.1**	**49.0**	▪ **Capital Resolution was down £46.1bn**	▪ **Expected to reduce RWAs to around £30bn by the end of 2016**
Other:				
Citizens	68.4	4.9	▪ Sold-down from 70.3% to 0%	▪ Release £4.9bn of operational risk RWAs
Williams & Glyn	10.1	9.9	▪ Banking licence application	▪ On-going preparations for 2017 separation & exit
International Private Banking	2.2	1.5	▪ Sale announced Q1 2015 ▪ Partial completion in Q4 2015	▪ Full exit expected early Q2 2016
Total	**175.8**	**65.3[29]**		

Issues we face in clearing the path for capital distributions

Milestones before seeking Board and Regulatory approval
▪ Capital structure normalised (final DAS dividend planned in H1 2016*, B-shares now cancelled)
▪ Williams & Glyn exit assured
▪ Pass the peak of litigation and conduct costs, including US RMBS
▪ Confidence in sustainable profitability
▪ Pass 2016 BoE stress test (including Individual Capital Guidance hurdle) and operating within capital risk appetite

Note: *Subject to final Board and PRA approval.

US RMBS litigation, Governmental and regulatory investigations

	Comments	FY 2015 balance sheet provision (£bn)
Civil Litigation	▪ More than 20 lawsuits outstanding involving the issuance of approximately $43bn[30] (original principal balance) of mortgage-backed securities ▪ FHFA (Connecticut) – $32bn ▪ NCUA Cases – $3.25bn ▪ Other claims (including Novastar class action and FHFA v. Nomura/RBS), related to approx. $7.8bn of RMBS (original principal balance)	$5.6bn (£3.8bn)
US Department of Justice	▪ Active criminal and civil investigations by the DoJ continue	None
State Attorneys General	▪ Active investigations by several State Attorneys General and agencies continue	None

Please refer to Note 3 "Provisions for liabilities and charges" in the Annual Results 2015 for further information

Note: RBS Securities Inc. intends to pursue a contractual claim for indemnification against Nomura (of $383m) with respect to any losses it suffers as a result of this matter.

Summary

Determined to build a great customer bank

Strong performance against 2015 targets

In 2016, targeting stabilising revenues and positive jaws – in core franchises

Continue to address key issues to be able to return to shareholder distributions[1]

Q&A

Footnotes

(1) Earliest possible timing is likely to be later than Q1 2017, subject to Board and PRA approval. Key milestones before seeking PRA approval for capital distributions would include, among other considerations, maintaining the 13% CET1 ratio target, passing regulatory capital requirements, pass 2016 Bank of England stress test (including Individual Capital Guidance hurdle) and operating within capital risk appetite, peak of litigation and conduct costs passed including US RMBS, confidence in sustainable profitability, and Williams & Glyn exit assured

(2) FY 2014

(3) Includes Citizens Financial Group

(4) Retail & Commercial defined as UK PBB, Ulster Bank RoI, Commercial Banking, Private Banking and RBS International. Figures are as a percentage of core RWAs, including CIB

(5) Excludes restructuring costs, litigation and conduct costs, and write down of goodwill

(6) £2.5bn reduction in adjusted operating expenses includes lower intangible write-offs and movements in FX

(7) Since initial pool of assets identified

(8) Excluding litigation and conduct costs, restructuring costs, write down of goodwill and other intangible assets and the operating costs of Williams & Glyn.

(9) Preliminary estimate for nominal GDP is 2.6% year-on-year

(10) UK PBB now includes Ulster Bank Northern Ireland and excludes Williams & Glyn, which is reported as a separate segment. All mortgage figures relate to UK PBB on this restated basis

(11) 12 month growth rate at December 2015 of loans to Non-Financial Businesses (Source: Bank of England)

(12) Personal Banking: Source GfK FRS, 6 month roll. Latest base sizes: NatWest (3509) Royal Bank of Scotland (623) Question "How likely is it that you would to recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?" Base: Claimed main banked current account customers. Year on year increases are not significant

(13 + 14) Business & Commercial Banking: Source Charterhouse Research Business Banking Survey, quarterly rolling. Latest base sizes, Business £0-2m NatWest

(1352) Royal Bank of Scotland (432) Commercial

(14) £2m+ combination of NatWest & Royal Bank of Scotland in GB (872) Question: "How likely would you be to recommend (bank)". Base: Claimed main bank Data weighted by region and turnover to be representative of businesses in Great Britain. The year on year improvements in Business Banking are significant

(15) Target #1 for customer service, trust and advocacy by 2020

(16) The objectives under "RBS in 2019" are forward looking statements – see the last page of this presentation

Footnotes

(17) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals

(18) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill

(19) Central items include unallocated costs and assets which principally comprise volatile items under IFRS and balances in relation to Citizens and international private banking

(20) RBS's CET 1 target is 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets after capital deductions (RWAes). This notional equity was previously 13% for all segments. In addition, due to changes in UK tax rules enacted in the Finance Act 2015, RBS has increased its longer-term effective 31 December tax rate. The notional tax rate used in the segmental ROE has been revised from 25% to 28% (Ulster Bank RoI - 15%; RBS International - 10%). RBS's forward planning tax rate is 26%

(21) End point CRR basis

(22) £0.4bn is made up of the benefit of lower intangible asset write-offs of 2013-£344m, 2014-£146m as well as the year on year benefit of FX

(23) This includes £71m lower intangible write offs offset by £29m growth in W&G

(24) Excludes movements in intangible write-offs and any growth in W&G

(25) EAD (Exposure at default) basis. CRAs (Credit Risk Assets) consist of lending gross of impairment, provisions and derivative exposures after netting and contingent obligations

(26) Total exposure includes committed but undrawn facilities

(27) Excluding Saudi Hollandi Bank

(28) Official holding by RBS NV. This holding is owned jointly with Santander and the Dutch State. RBS's economic interest is ~15%

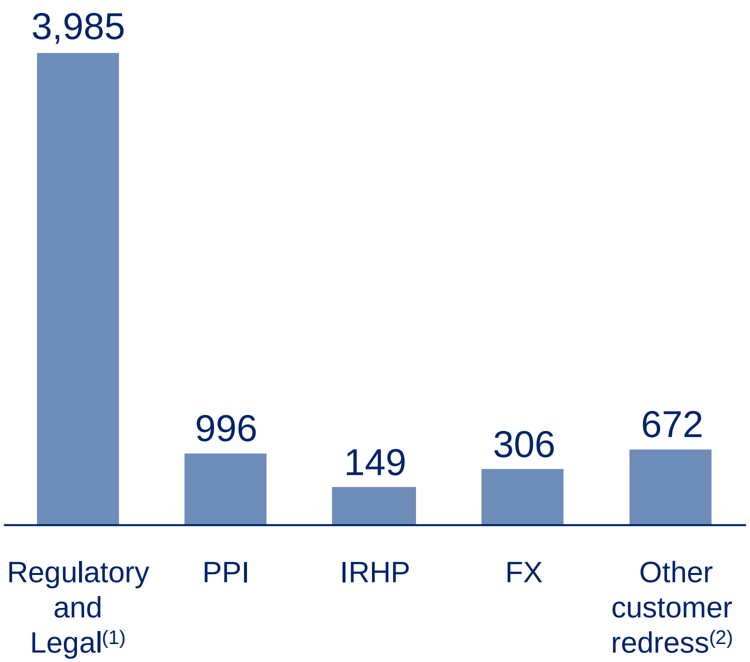
(29) Excluding £2.2bn of items held in Centre

(30) RBS potential exposure in each case is not directly proportionate to the original principal balance of MBS in dispute

Additional Slides

Litigation and conduct

End of Q4 2015 provisions (£m)



Litigation and conduct provision: £6.1bn, as at December 2015

	Comments
US RMBS	■ Total provisions to US RMBS litigation increased in Q4 2015 by £1.5bn from £2.3bn to £3.8bn, further substantial provisions may be required ■ These provisions do not include potential penalties and compensatory damages imposed by US DoJ and various State Attorneys General, which may be substantial
FX and other market related investigations and claims	■ Remain in discussions with various Governmental and Regulatory Authorities
UK class action lawsuit over 2008 capital raising	■ Trial of preliminary issues scheduled to commence in Q1 2017
Various UK customer redress issues	Includes: ■ PPI: further Q4 2015 provision of £0.5bn taken for PPI to deal with time barring and the implications of the Plevin judgement
FCA SME treatment review	■ Fully co-operating with the ongoing FCA review ■ Timing of initial findings not confirmed, but may be during H1 2016

(1) Includes Other regulatory provisions and Litigation as per the Annual Results 2015 p.47(note 3)
(2) Closing provision primarily relates to investment advice and packaged accounts

Significant Items

(£m)		FY 2015	FY 2014	Q4 2015	Q3 2015	Q4 2014
Total Income		**12,923**	**15,150**	**2,484**	**3,183**	**2,965**
OCA		309	(146)	(115)	136	(144)
Gain / (loss) on redemption of own debt		(263)	20	(263)	-	-
Strategic disposals(1)		(157)	191	(22)	-	-
Adjusted Income		**13,034**	**15,085**	**2,884**	**3,047**	**3,109**
Of which… Treasury funding costs, including volatile items under IFRS		169	(437)	193	(126)	(323)
Disposal of Treasury AFS securities		(67)	149	-	2	6
Ulster Bank RoI	Disposal gains	12	-	-	12	-
Ulster Bank RoI	Gains on closure of exposure	24	-	-	24	-
Capital Resolution	Disposal losses	(367)	-	(180)	(91)	-
Commercial	Disposal losses	(34)	-	(34)	-	-
Total Expenses		**(16,353)**	**(13,859)**	**(5,761)**	**(3,276)**	**(4,318)**
Restructuring(2)		(2,931)	(1,154)	(614)	(847)	(542)
Litigation & Conduct		(3,568)	(2,194)	(2,124)	(129)	(1,164)
Writedown of Goodwill		(498)	(130)	(498)	-	-
Adjusted Expenses		**(9,356)**	**(10,381)**	**(2,525)**	**(2,300)**	**(2,612)**
Of which… Write down of other intangible assets		(75)	(146)	(75)	-	(64)
Bank levy		**(230)**	**(250)**	**(230)**	**-**	**(250)**
o/w UK PBB		(45)	(42)	(45)	-	(42)
o/w Ulster Bank RoI		(9)	(10)	(9)	-	(10)
o/w Commercial		(103)	(82)	(103)	-	(82)
o/w Private		(22)	(11)	(22)	-	(11)
o/w RBSI		(18)	(17)	(18)	-	(17)
o/w CIB		(24)	(41)	(24)	-	(41)
o/w Capital Resolution		(43)	(45)	(43)	-	(45)
o/w Central items		34	(2)	34	-	(2)

(1) FY 2015 includes £38m relating to CIB CR disposals, mainly relates to International Private Banking
(2) FY 2015 includes Private Bank software write down of £91m and £630m of W&G separation costs

UK Personal & Business Banking

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Total Income	**5,200**	**(4%)**	**1,254**	**(9%)**
Adj. operating expenses[1]	(3,038)	(3%)	(877)	+6%
Restructuring costs	(167)	+50%	(87)	n.m.
Litigation & conduct costs	(972)	+6%	(607)	(7%)
Operating Expenses	**(4,177)**	**+0%**	**(1,571)**	**+5%**
Impairment (losses) / releases	7	(105%)	27	n.m.
Operating profit / (loss)	**1,030**	**(9%)**	**(290)**	**+152%**
Key metrics				
Net interest margin	3.18%	(14bps)	3.03%	(34bps)
Return on equity [2]	11.7%	(0ppts)	(16.8%)	(10ppts)
Adj. return on equity[1,2,3]	26.2%	+2ppts	19.8%	(6ppts)
Cost-income ratio	80%	+4ppts	125%	+16ppts
Adj. cost-income ratio[1,3]	58%	+1ppts	70%	+10ppts
Balance sheet (£bn)				
RWAs	33.3	(9.0%)	33.3	(9.0%)

FY 2015 vs. FY 2014

- Total income was £5.2bn, down 4% due to higher treasury funding allocations, SVR to fixed rate mortgage switching and declining interchange fees
- Adj. operating expenses down 3%
- Litigation and conduct costs increased 6% primarily due to higher customer redress provisions (PPI)
- Adjusted RoE of 26.2%
- RWAs fell £3.3bn due to improved portfolio asset quality

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 15% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Ulster Bank RoI

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Total Income	**550**	**(9%)**	**116**	**(24%)**
Adj. operating expenses[1]	(427)	+0%	(117)	(2%)
Restructuring costs	(15)	+15%	6	n.m.
Litigation & conduct costs	13	(32%)	4	(79%)
Operating Expenses	**(429)**	**+2%**	**(107)**	**+9%**
Impairment (losses) / releases	141	(54%)	10	(86%)
Operating profit / (loss)	**262**	**(46%)**	**19**	**(85%)**
Key metrics				
Net interest margin	1.57%	(35bps)	1.45%	(45bps)
Return on equity [2]	10.6%	(8ppts)	3.0%	(17ppts)
Adj. return on equity[1,2,3]	10.6%	(8ppts)	1.4%	(15ppts)
Cost-income ratio	78%	+8ppts	92%	+28ppts
Adj. cost-income ratio[1,3]	78%	+7ppts	101%	+23ppts
Balance sheet (£bn)				
RWAs	19.4	(11.0%)	19.4	(11.0%)

FY 2015 vs. FY 2014

- Total income down 9% reflecting the weakening of the Euro during 2015
- NIM was 1.57%, down 35bps, driven by a lower return on free funds and an increased drag from higher liquidity requirements
- Adj. operating expenses were £427m, with an increase in pension servicing costs of £22m, partly offset by FX movements
- Operating profit down 46% due primarily to lower net impairment releases
- Adj. RoE of 10.6%

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 11% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Commercial Banking

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Total Income	**3,254**	**(2%)**	**797**	**(6%)**
Adj. operating expenses(1)	(1,801)	+3%	(584)	+15%
Restructuring costs	(69)	(36%)	(54)	n.m.
Litigation & conduct costs	(51)	(54%)	8	(113%)
Operating Expenses	**(1,921)**	**(2%)**	**(630)**	**+8%**
Impairment (losses) / releases	(69)	(19%)	(27)	(16%)
Operating profit / (loss)	**1,264**	**+1%**	**140**	**(39%)**
Key metrics				
Net interest margin	1.88%	(3bps)	1.82%	(14bps)
Return on equity (2)	9.8%	(0ppts)	3.1%	(4ppts)
Adj. return on equity(1,2,3)	10.9%	(1ppts)	4.6%	(5ppts)
Cost-income ratio	59%	(0ppts)	79%	+10ppts
Adj. cost-income ratio(1,3)	55%	+3ppts	73%	+13ppts
Balance sheet (£bn)				
Net loans & advances to customers	91.3	+7.5%	91.3	+7.5%
RWAs	72.3	+14.4%	72.3	+14.4%

FY 2015 vs. FY 2014

- Total income was £3.3bn, down 2%
- Adj. operating expenses increased 3% due to a higher UK bank levy charge of £103m
- Net impairment charges decreased £16m due to fewer specific cases offsetting lower net provision releases
- Net loans and advances increased £6.4bn to £91.3bn (including £5bn from the transferred businesses) whilst the business continued to run down non strategic parts of the book
- Adj. RoE of 10.9%

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 11% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Private Banking

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Total Income	**644**	**(7%)**	**158**	**(7%)**
Adj. operating expenses[1]	(518)	+3%	(159)	+9%
Restructuring costs	(73)	n.m.	5	n.m.
Litigation & conduct costs	(12)	(87%)	(10)	(89%)
Write-down of goodwill	(498)	n.m.	(498)	n.m.
Operating Expenses	**(1,101)**	**+85%**	**(662)**	**+179%**
Impairment (losses) / releases	(13)	n.m.	(12)	n.m.
Operating profit / (loss)	**(470)**	**n.m.**	**(516)**	**n.m.**
Key metrics				
Net interest margin	2.75%	(14bps)	2.67%	(24bps)
Return on equity [2]	(27.7%)	(32ppts)	(118.9%)	(103ppts)
Adj. return on equity[1,2,3]	4.9%	(4ppts)	(4.4%)	(8ppts)
Cost-income ratio	171%	+85ppts	419%	n.m.
Adj. cost-income ratio[1,3]	80%	+7ppts	101%	+15ppts
Balance sheet (£bn)				
RWAs	8.7	+0.0%	8.7	+0.0%

FY 2015 vs. FY 2014

- Total income was £644m, down 7% due to lower net interest margin
- Adj. operating expenses were up 3% as a higher UK bank levy charge of £22m was partly offset by lower staff costs
- Net impairment charges of £13m
- Adjusted RoE of 4.9%

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 15% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

RBS International

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Total Income	**367**	**(6%)**	**95**	**(6%)**
Adj. operating expenses(1)	(156)	+2%	(41)	+14%
Restructuring costs	(4)	(43%)	1	n.m.
Litigation & conduct costs	-	-	-	-
Operating Expenses	**(160)**	**+0%**	**(40)**	**+5%**
Impairment (losses) / releases	-	n.m.	-	n.m.
Operating profit / (loss)	**207**	**(13%)**	**55**	**(8%)**
Key metrics				
Net interest margin	1.48%	(17bps)	1.49%	(18bps)
Return on equity (2)	18.5%	(6ppts)	19.1%	(6ppts)
Adj. return on equity(1,2,3)	18.9%	(6ppts)	18.7%	(7ppts)
Cost-income ratio	44%	+3ppts	42%	+4ppts
Adj. cost-income ratio(1,3)	43%	+4ppts	43%	+7ppts
Balance sheet (£bn)				
RWAs	8.3	+10.7%	8.3	+10.7%

FY 2015 vs. FY 2014

- Total income was £367m, down 6% mainly due to lower deposit margin
- Adj. operating expenses were up 2% due to a higher UK bank levy charge
- Operating profit 13% lower, principally due to lower income
- Net impairments charge of nil was recorded for 2015
- Adj. RoE of 18.9% down from 24.9%
- Net loans and advances increased £0.1bn to £7.3bn. Customer deposits grew £0.5bn to £21.3bn

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 12% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Corporate & Institutional Banking

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Rates	688	(16%)	136	n.m.
Currencies	390	(29%)	95	(41%)
Financing	296	(46%)	23	(61%)
Banking/ other	(65)	(69%)	(2)	(97%)
Business transfers to CB	98	(56%)	-	(100%)
Adjusted Income[(1)]	**1,407**	**(27%)**	**252**	**(2%)**
Own credit adjustment	120	n.m	(66)	n.m
Total Income	**1,527**	**(21%)**	**186**	**(17%)**
Adj. operating expenses[(2)]	(1,467)	(15%)	(364)	(3%)
Restructuring costs	(524)	n.m.	(62)	n.m.
Litigation & conduct costs	(378)	(55%)	(5)	(99%)
Operating Expenses	**(2,369)**	**(11%)**	**(431)**	**(44%)**
Impairment (losses) / releases	5	(44%)	-	(100%)
Operating profit / (loss)	**(837)**	**+18%**	**(245)**	**(54%)**
Key metrics				
Return on equity[(3)]	(11.1%)	(3ppts)	(15.1%)	+8ppts
Adj. return on equity[(1,2,3)]	(2.0%)	(3ppts)	(7.6%)	(2ppts)
Cost-income ratio	155%	+18ppts	232%	(111ppts)
Adj. cost-income ratio[(1,2)]	104%	+16ppts	145%	(2ppts)
Balance sheet (£bn)				
RWAs	33.1	(21.0%)	33.1	(21.0%)

(1) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
(2) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill
(3) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 15% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.

FY 2015 vs. FY 2014

- Total income was down 21% (£404m), with FY 2015 including £120m of own credit adjustments
- Excluding revenue remaining in CIB following the portfolio business transferred to Commercial Banking (£98m) and excluding own credit adjustment, income was in line with previous guidance at £1.3bn
- Adj. operating expenses fell by 15% to £1.5bn reflecting the ongoing reshaping of the business
- The operating loss included restructuring costs of £524m and litigation and conduct charges of £378m
- Adj. RoE of negative 2.0%

Capital Resolution

P&L (£m)	FY 2015	vs. FY 2014	Q4 2015	vs. Q4 2014
Adjusted Income(1)	402	(78%)	(233)	n.m.
Total Income	**539**	**(70%)**	**(262)**	**n.m.**
Adj. operating expenses(2)	(1,539)	(24%)	(394)	(20%)
Restructuring costs	(1,307)	n.m.	(104)	+53%
Litigation & conduct costs	(2,105)	n.m.	(1,498)	n.m.
Write-down of goodwill	-	(100%)	-	+0%
Operating Expenses	**(4,951)**	**+98%**	**(1,996)**	**n.m.**
Impairment (losses) / releases	725	(45%)	356	(44%)
Operating profit / (loss)	**(3,687)**	**n.m.**	**(1,902)**	**n.m.**
Balance sheet (£bn)				
Funded Assets	53.4	(54%)	53.4	(54%)
Risk elements in lending	3.4	(78%)	3.4	(78%)
Provision coverage	67%	(4ppts)	67%	(4ppts)
RWAs	49.0	(48%)	49.0	(48%)
RWAe(3)	50.3	(50%)	50.3	(50%)

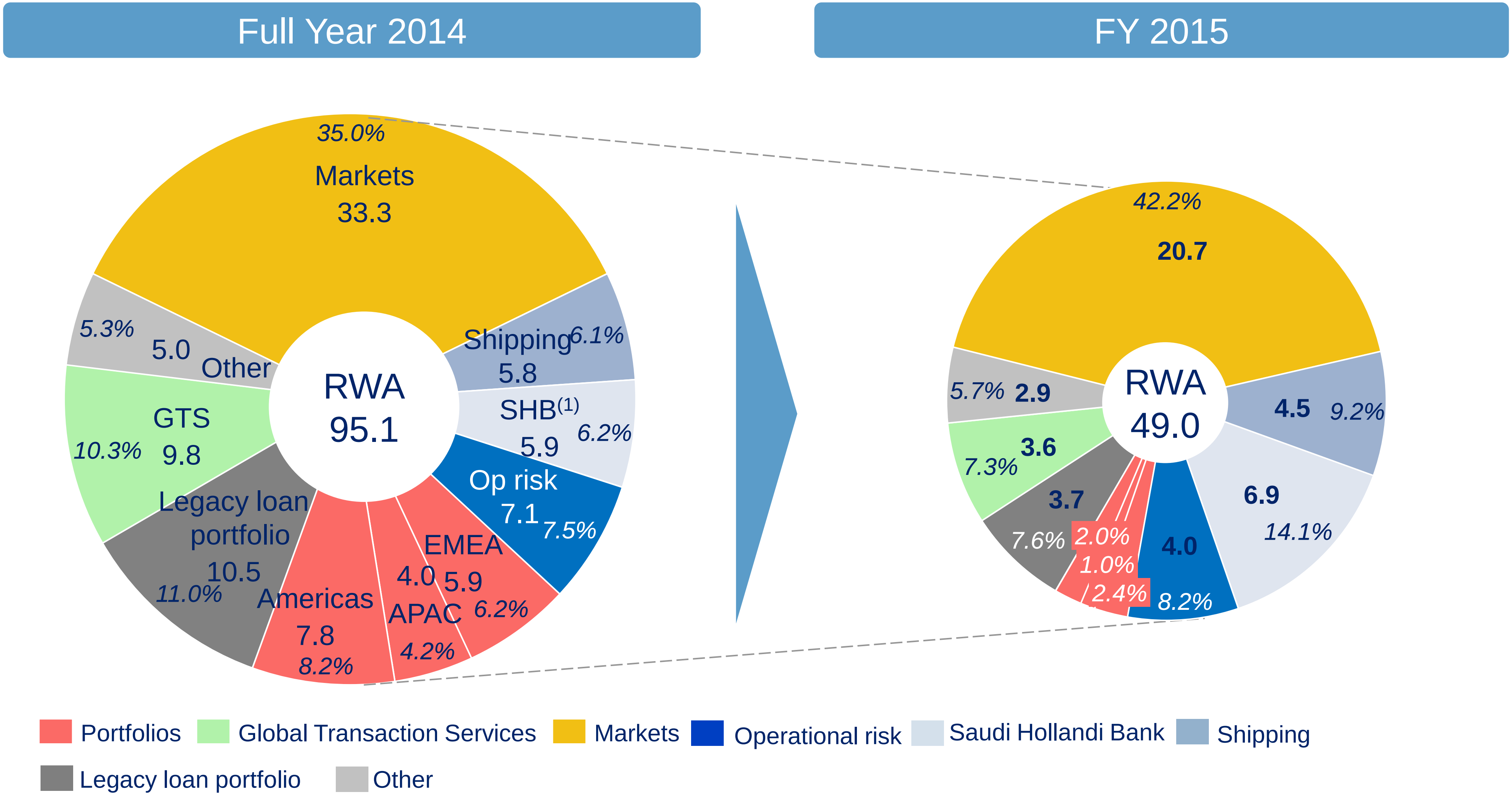
FY 2015 vs. FY 2014

- Operating loss of £3.7bn including conduct and litigation costs of £2.1bn, restructuring costs of £1.3bn and income related disposal losses of £367m
- Adj. operating expenses fell £481m, primarily reflecting reduced headcount
- RWAs reduced by £46.1bn to £49.0bn driven by significant reductions across CIB Capital Resolution and RCR, which primarily reflected disposals and repayment activity
- RCR achieved its 85% funded asset reduction objective a year ahead of schedule

(1) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
(2) Excluding restructuring costs , litigation and conduct costs and write-down of goodwill.
(3) RWAes = risk-weighted assets after capital deductions

Capital Resolution – RWAs

RWA (£bn)



(1) SHB= Saudi Hollandi Bank

Williams & Glyn[1]

P&L (£m) on a stand-alone basis	FY 2015
Total Income	**844**
Adj. operating expenses[2]	(584)
Restructuring costs	(28)
Operating Expenses	**(612)**
Impairment (losses) / releases	(15)
Operating profit / (loss)	**217**
Key metrics	
Cost-income ratio	73%
Adj. cost-income ratio[2]	69%
Balance sheet (£bn)	
Loans & advances to customers	20.3
Customer deposits	25.2

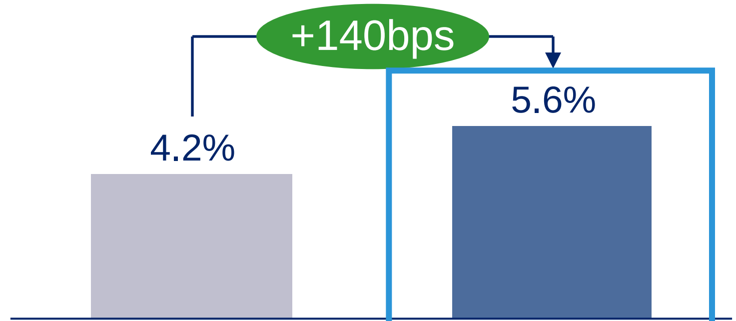
FY 2015 vs. FY 2014

- Operating profit of £217m
- Lending growth of 2% and deposit growth of 9%
- 5% increase in mortgage book driven by almost £2bn of gross new mortgage lending in the year
- Re-segmentation of Commercial customer base underway, including the transfer of £0.3bn to CPB
- Complex process of separation progressing
- Submitted the banking licence application to the UK regulators in September
- Executive team in place, including appointments of Jim Brown as CEO and Leigh Bartlett as CFO

(1) The illustrative financial information above is solely indicative as it is based on certain currently modelled assumptions, including cost base, funding, liquidity and capital, relating to W&G as a standalone bank. This information should not be construed as an indication or projection of W&G's actual or future performance or position as a stand-alone bank. Also see the risk factors on p.390 of the Annual Report and Accounts 2015
(2) Excluding restructuring costs.

Leverage ratio – key drivers

Leverage ratio (%)



(£bn)	Q4 2014	Q4 2015	% change
CET 1 capital	39.9	37.6	(6%)
AT1 capital	0.0	2.0	n.m.
Tier 1 Capital	39.9	39.6	(1%)
Total assets	1,051	815	(22%)
Netting of derivatives	(331)	(259)	(22%)
Securities financing transactions	25	5	80%
Regulatory deductions & other adjustments	(0.8)	1.5	n.m.
Potential future exposures on derivatives	99	76	(23%)
Undrawn commitments	96	64	(33%)
Leverage exposure	**940**	**703**	**(25%)**

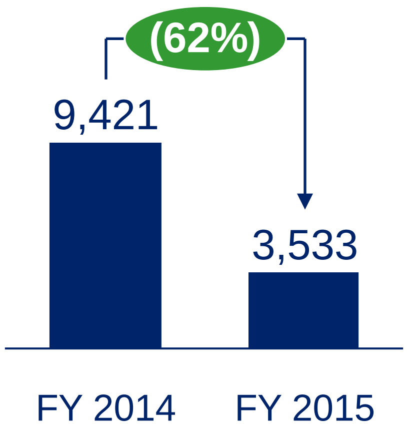
Tangible Net Asset Value "TNAV" movements

	Q3 2015		
	£m	Shares in issue (m)	TNAV per share
Starting TNAV	42,937	11,574	371p
Loss for the period[1]	(1,940)		(17p)
Less: profit attributable to NCI/ other owners	(141)		(1p)
Other comprehensive income	(44)		-
Less: OCI attributable to NCI / other owners	7		-
Proceeds of share issuance	161	51	(1p)
Other movements[2]	(37)		-
	Q4 2015		
End of period TNAV	40,943	11,625	352p

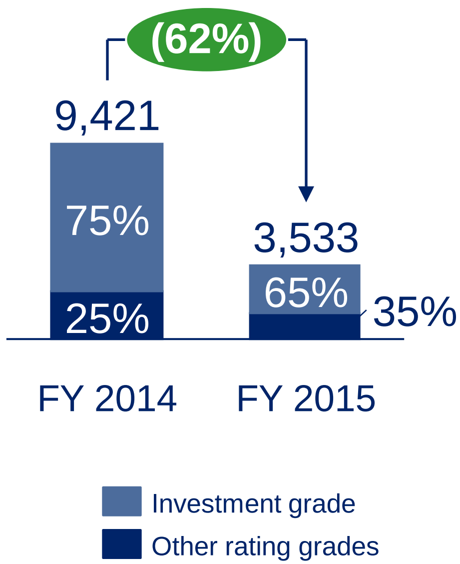
(1) Profit for the period is pre non controlling interests and other owners dividends and excludes write-down of goodwill and other intangible assets
(2) Other reserve movements including intangibles.

Oil & Gas exposure

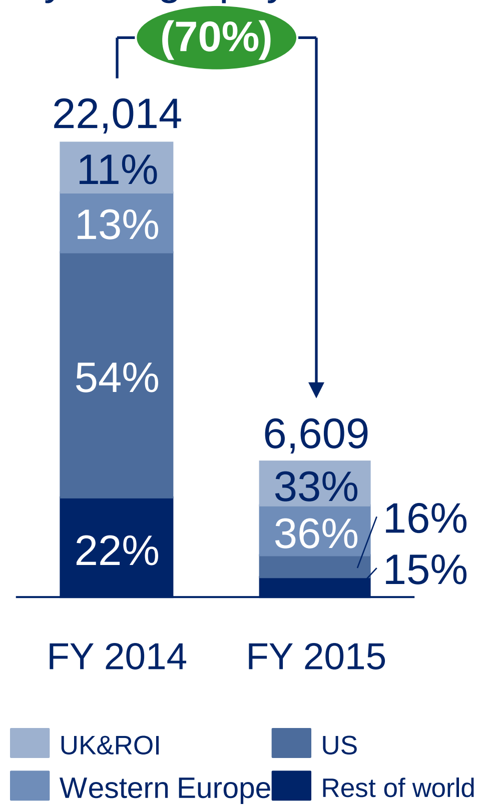
(£m) CRA[1]



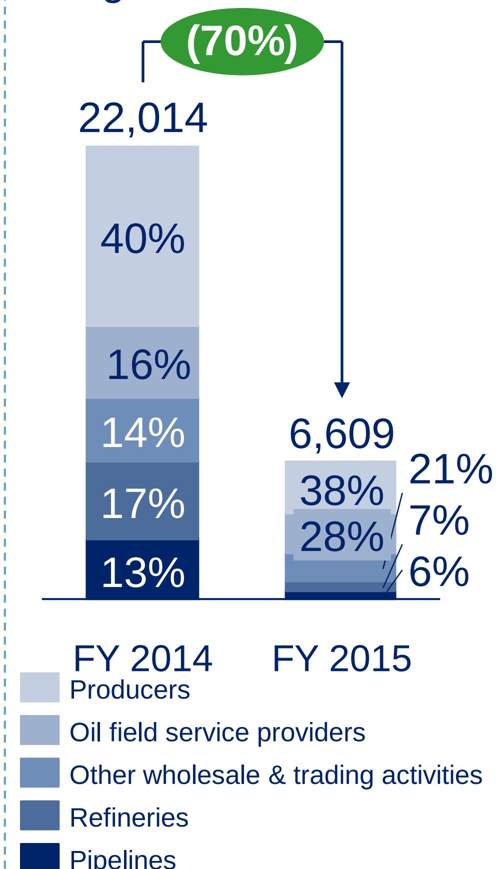
CRA[1] by Investment grade



Total exposure[2] by Geography



Total exposure[2] by Segment

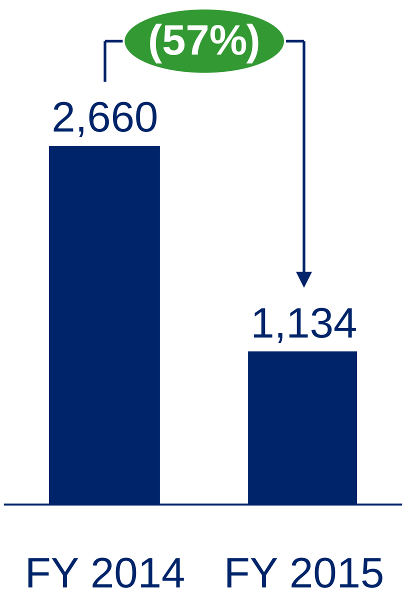


- Total exposure decreased 70% Y/Y due to pro active credit stewardship, together with disposals in the US and APAC
- At 31 December 2015, 65% of the portfolio exposure was Investment Grade. The decrease was mainly due to disposals in the US and Asia-Pacific
- Non-performing exposures at 31 December 2015 were £138m[3]

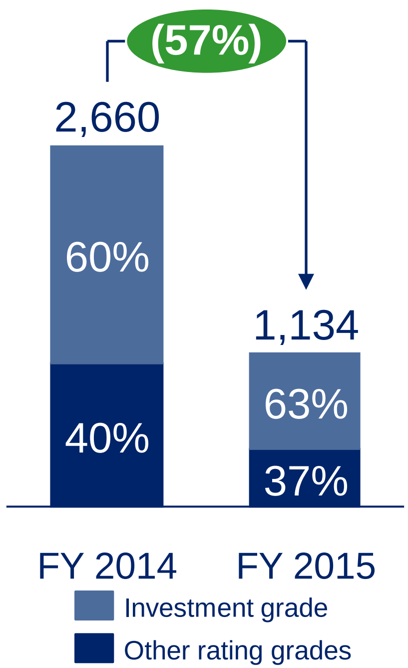
(1) Credit Risk Assets (CRAs) consist of lending gross of impairment, provisions and derivative exposures after netting and contingent obligations.(2)Total exposure includes committed but undrawn facilities (3) On a CRA basis

Mining & Metals exposure

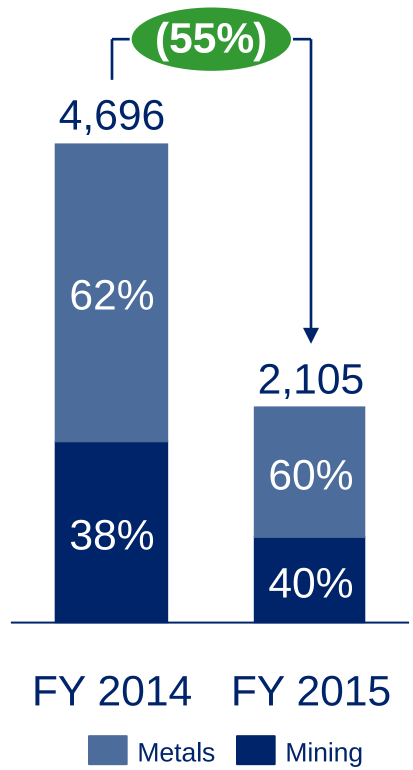
(£m) CRA[1]



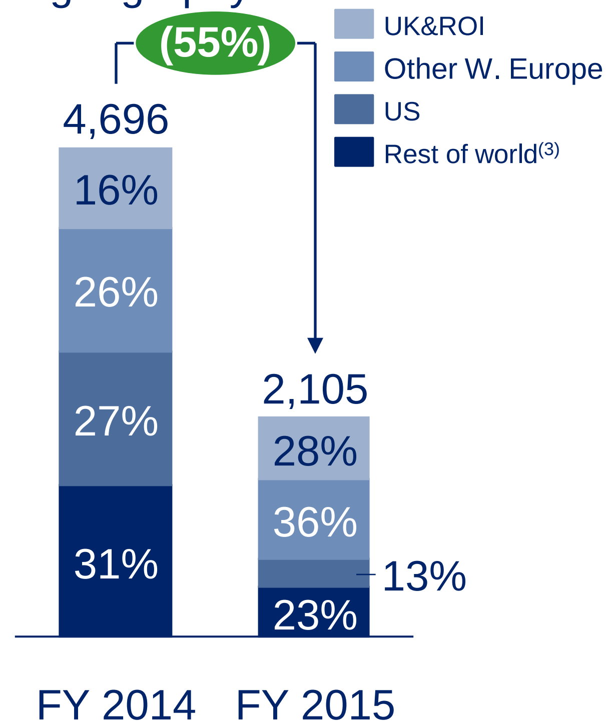
CRA[1] by Investment grade



Total exposure[2]



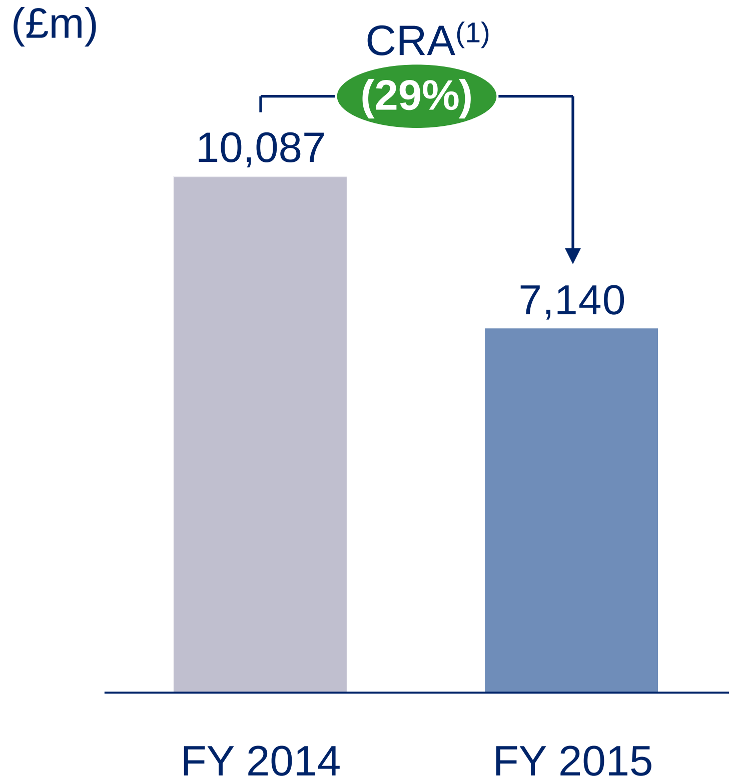
Total exposure[2] by geography

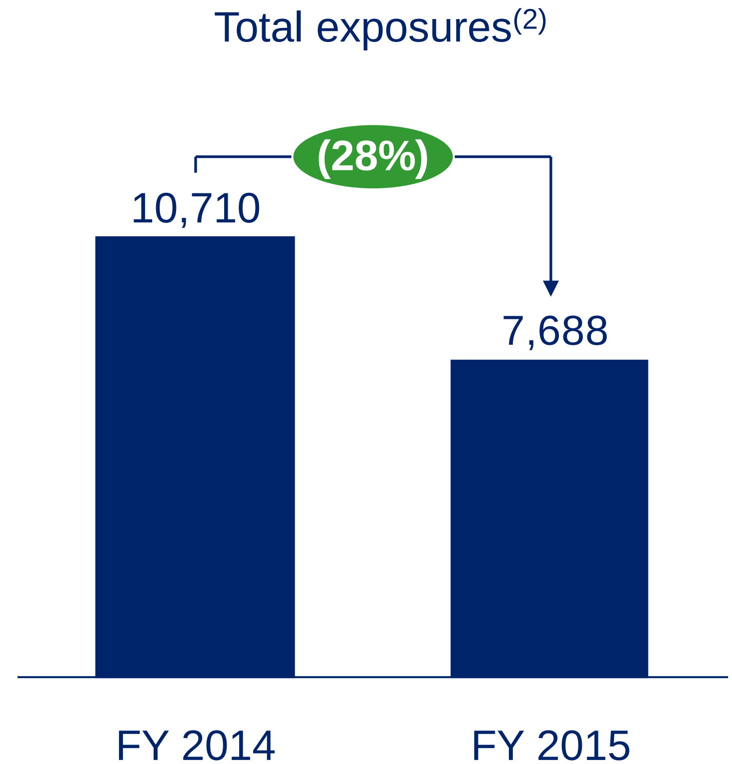


- Total exposure decreased by 55% Y/Y due to proactive reduction in the sub-sectors considered the most vulnerable
- At 31 December 2015, 63% of the portfolio exposure was Investment Grade (60% in 2014)
- Commodity Traders[5] Exposure more than halved during 2015. The remaining exposure of £749m[4] is mainly to the largest and most dominant traders in physical commodities
- Non-performing exposures at 31 December 2015 were £48m[4]

(1) Credit Risk Assets (CRAs) consist of lending gross of impairment, provisions and derivative exposures after netting and contingent obligations (2)Total exposure includes committed but undrawn facilities (3)Rest of world comprises Asia Pacific, Central and Eastern Europe, the Middle East and Central Asia and Africa (4) On a CRA basis. (5) Commodity traders represents customers in a number of industry sectors, predominantly within natural resources including Metals & Mining.

Shipping Exposure



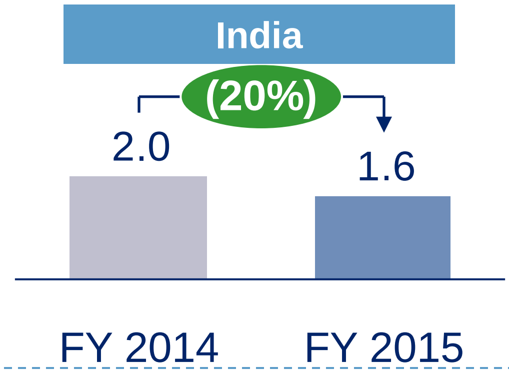


- Total exposure decreased 28% Y/Y
- Non-performing exposures at 31 December 2015 were £362m[3] with an impairment provision of £135m
- LTV was 84% as at December 2015
- Shipping exposures are under heightened monitoring

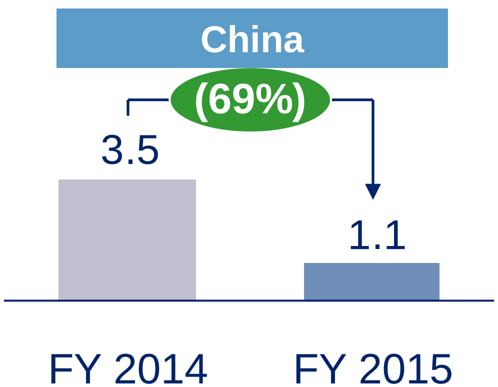
(1) Credit Risk Assets (CRAs) consist of lending gross of impairment, provisions and derivative exposures after netting and contingent obligations
(2) Total exposure includes committed but undrawn facilities.
(3) On a CRA basis

Emerging Markets exposure

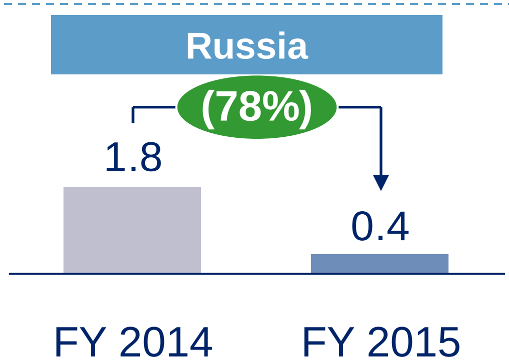
Total Net Balance sheet exposures[1] (£bn)



- Net Balance sheet exposure fell by £0.4bn to £1.6bn with reductions mainly in corporate lending, reflecting RBS's UK-centred strategy



- Net Balance sheet exposure decreased by £2.5bn to £1.1bn, with reductions mostly in corporate lending, driven by RBS's strategy
- The portfolio is focused on the largest banks. Stress tests indicated that the impact of an economic downturn on credit losses would be limited



- Net Balance sheet exposure decreased by £1.4bn to £0.4bn, partly through loan sales in H2 2015
- The remaining exposure consists mainly of lending to banks, with risks largely mitigated

(1) Net balance sheet exposure - Comprises net lending, debt securities, derivatives (net) and SFT (net) exposures.

Fixed Income Slides

FY 2015 results – Treasurer's view

Strong funding and liquidity metrics maintained

Good progress in CET1 ratio build

Manageable MREL issuance requirements

Target ~£2bn AT1 and ~£3-5bn Senior issuance in 2016[1]

(1) Subject to market conditions.

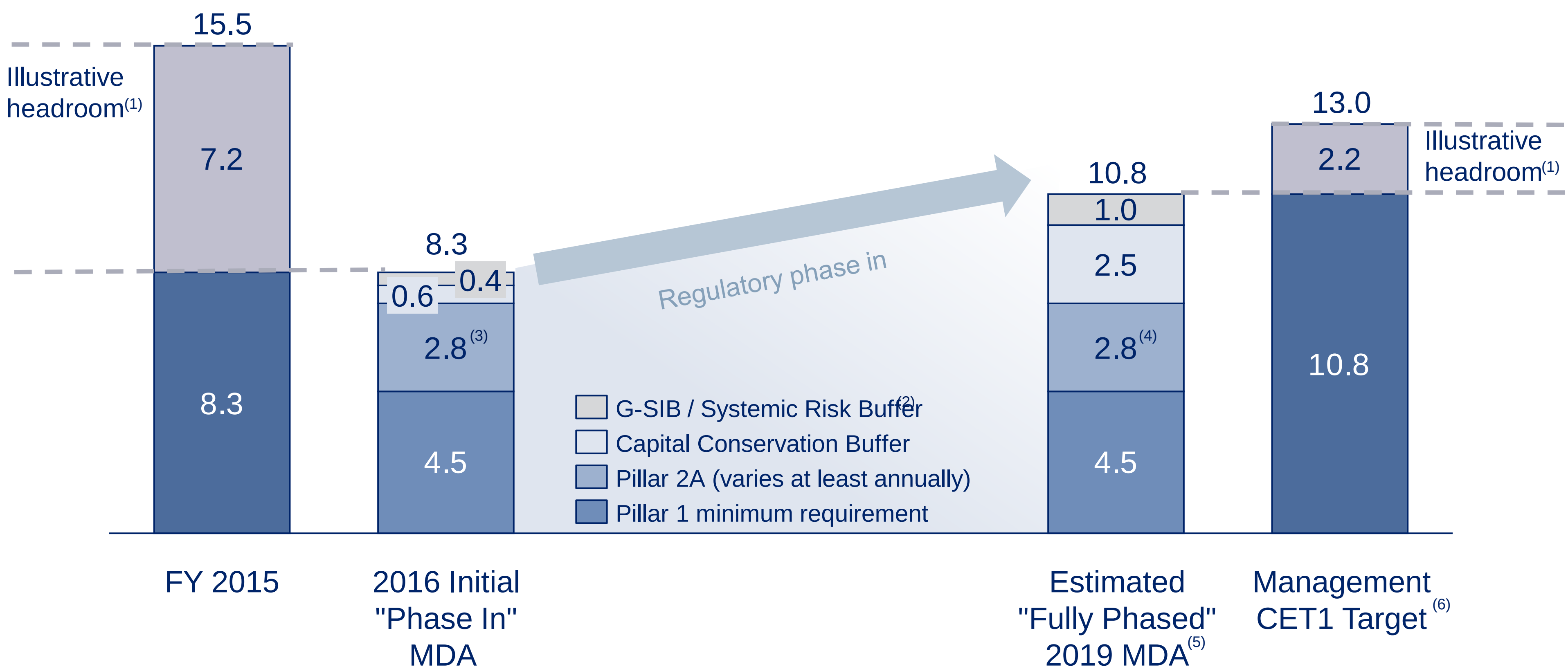
Funding & liquidity

	FY 2015	FY 2014
Loan : deposit ratio	89%	95%
Short-term wholesale funding	£17bn	£28bn
Liquidity portfolio	£156bn	£151bn
Liquidity coverage ratio	136%	112%
Net stable funding ratio	121%	112%
Stressed outflow coverage	227%	186%

Current assessment of appropriate buffers

Target CET1 ratio versus maximum distributable amount ("MDA"), %

Illustration, based on assumption of static regulatory requirements[4]



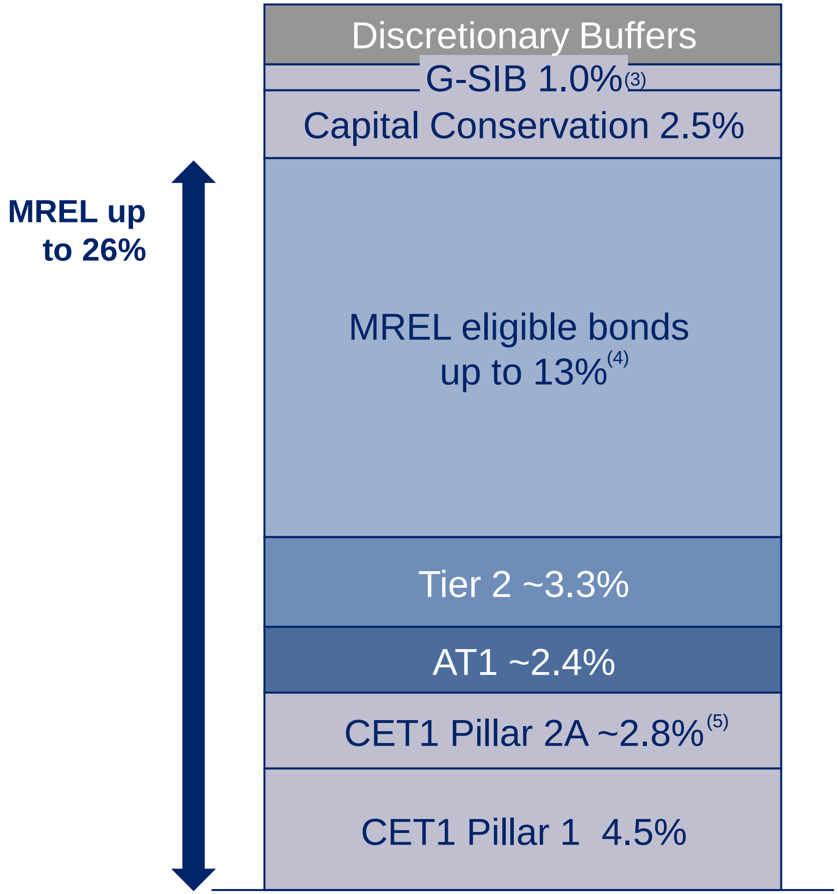
- FY 2015 RBSG (HoldCo) Distributable Reserves £16.3bn vs £17.5bn at FY 2014[7]

(1) Headroom may vary over time and may be less in future. (2) 2016 G-SIB initial phase-in based on 1.5% current requirement. RBS' G-SIB requirement will reduce to 1.0% on 1 Jan 2017. (3) RBS's Pillar 2A requirement was 5.0% of RWAs as at 31 December 2015. 56% of the total Pillar 2A requirement, or 2.8% of RWAs, must be met from CET1 capital. (4) Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review. Following our announced changes to pension accounting and planned scheme contributions in response to amendments to IFRIC 14, RBS anticipates a reduction in RBS's future core capital requirements. The timing of any such core capital offsets are likely to occur at the earliest 1 January 2017 and will depend on the PRA's assessment of RBS's core capital position in future. (5) Assumes no material Counter Cyclical Buffer requirement. (6) Based on 13% CET1 target during the period of CIB restructuring. (7) Please refer to Note 1 on page 359 of the Annual Report and Accounts.

Sizing future capital / funding requirements

Illustrative future loss absorbency requirements [1]

Scaled to Minimum Requirements for Own Funds and Eligible Liabilities ("MREL") based on Bank of England Consultation [2]



- £2bn AT1 issuance targeted for 2016, subject to market conditions
- No Tier 2 issuance plans in 2016 given outstanding pool
- MREL expected to exceed TLAC [6], final requirements subject to regulatory finalisation and completion of resolution plans
- Target building MREL compliant Senior 'HoldCo' issuance
  - £3-5bn issuance targeted for 2016 [7]

(1) Assumes PRA buffer (Pillar 2B) not being in excess of Systemic Risk / G-SIB & Capital Conservation Buffer and no material Counter Cyclical Buffer. Requirements expected to change over time. (2) Based on RBS interpretation of the BoE' consultation published on 11 December 2015. MREL policy and requirements remain subject to further consultation. RBS estimated requirements remain subject to change. (3) G-SIB requirement currently 1.5%, will reduce to 1.0% on 1 Jan 2017. (4) Based on twice Pillar 1 and Pillar 2A requirements at a total capital level, subject to regulatory discretion. (5) RBS's Pillar 2A requirement was 5.0% of RWAs as at 31 December 2015. 56% of the total Pillar 2A requirement, or 2.8% of RWAs, must be met from CET1 capital. Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review. Following our announced changes to pension accounting and planned scheme contributions in response to amendments to IFRIC 14, RBS anticipates a reduction in RBS's future core capital requirements. The timing of any such core capital offsets are likely to occur at the earliest 1 January 2017 and will depend on the PRA's assessment of RBS's core capital position in future. (6) Total Loss Absorbing Capacity requirements for G-SIB's. (7) Subject to market conditions.

Estimated LAC position

FY 2015 Estimated Loss Absorbing Capital ("LAC") position [1]

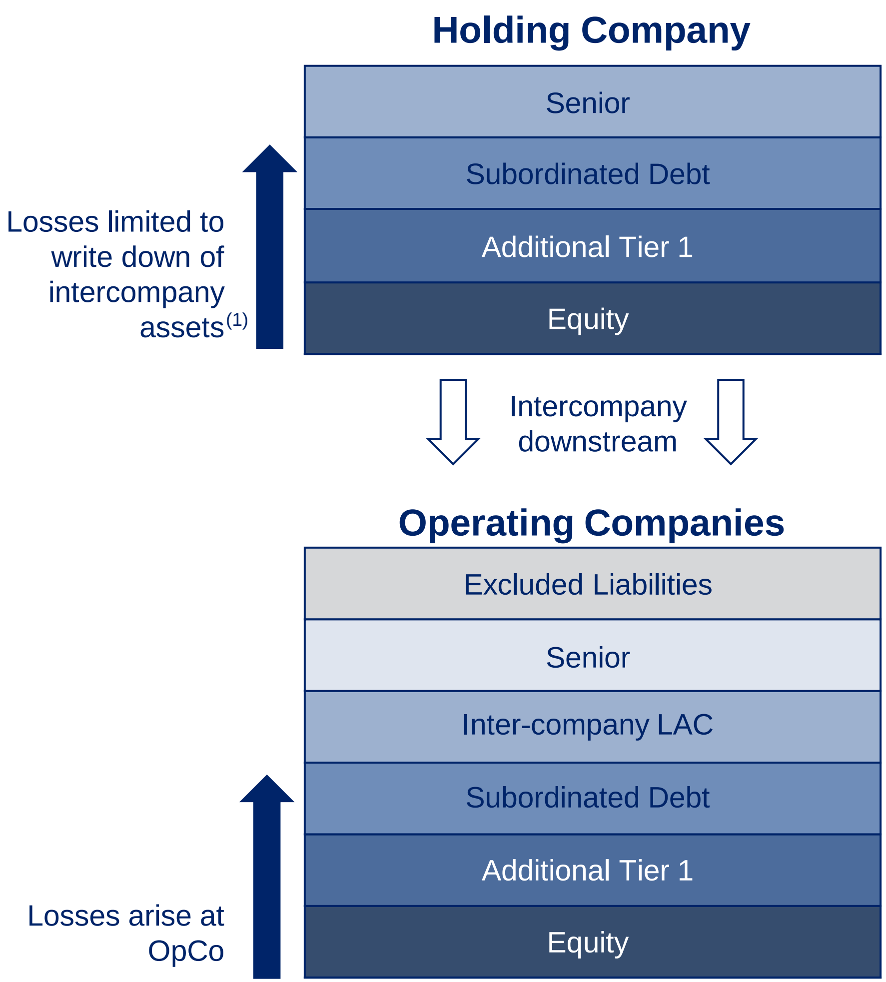
£'bn	LAC value[1]	Regulatory Value[2,3]	Par Value[4]
Common Equity Tier 1 Capital[5]	**37.6**	**37.6**	**37.6**
Tier 1 Capital: End point CRR compliant AT1	**2.0**	**2.0**	**2.0**
o/w RBS Group Plc (HoldCo)	*2.0*	*2.0*	*2.0*
o/w RBS Operating Subsidiaries (OpCo's)	-	-	-
Tier 1 Capital: End point CRR non-compliant	**4.9**	**8.4**	**8.5**
o/w HoldCo	*4.6*	*5.9*	*6.0*
o/w OpCos	*0.3*	*2.5*	*2.5*
Tier 2 Capital: End point CRR compliant	**9.9**	**9.5**	**10.9**
o/w HoldCo	*4.4*	*5.7*	*5.8*
o/w OpCos	*5.5*	*3.8*	*5.1*
Tier 2 Capital: End point CRR non-compliant	**3.0**	**3.2**	**3.6**
o/w HoldCo	*0.1*	*0.2*	*0.3*
o/w OpCos	*2.9*	*3.0*	*3.3*
Senior unsecured debt securities	**2.9**	**-**	**22.6**
o/w HoldCo	*2.9*	-	*4.9*
o/w OpCos	-	-	*17.7*
Total LAC	**60.3**	**60.7**	**85.2**
LAC as a ratio of RWAs	**24.9%**		

(1) 'LAC value' reflects RBS's interpretation of the 9 November 2015 FSB Term Sheet on TLAC and the BoE's consultation on their approach to setting MREL, published on 11 December 2015. MREL policy and requirements remain subject to further consultation, as such RBS estimated position remain subject to change. Liabilities excluded from LAC include instruments with less than one year remaining to maturity, structured debt, operating company senior debt, and other instruments that do not meet the TLAC/MREL criteria. (2) Regulatory capital instruments issued from operating companies are included in the transitional LAC calculation, to the extent they meet the TLAC/MREL criteria.(3) Regulatory amounts reported for Additional Tier 1, Tier 1 and Tier 2 instruments are before grandfathering restrictions imposed by CRR.(4) Par value reflects the nominal value of securities issued.
(5) Corresponding shareholders' equity was £53.4bn.

Prospective implementation of UK resolution

Illustrative anticipated UK creditor hierarchy

Based on RBS interpretation of the creditor hierarchy in a resolution scenario

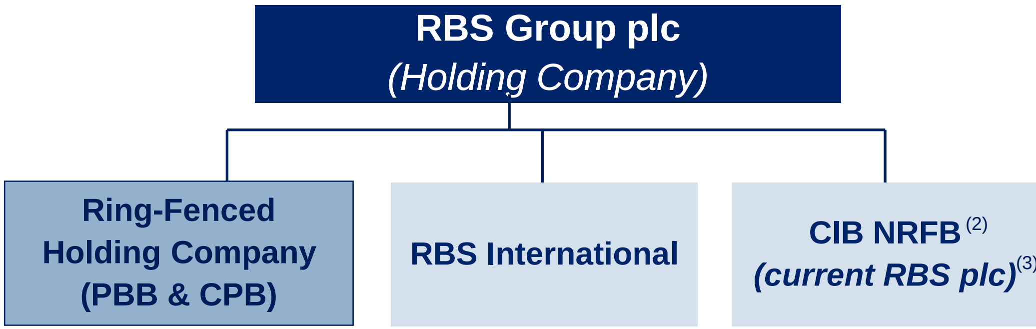


- Losses will arise first at ‘OpCo’ level and only apply at ‘HoldCo’ to the extent of any write-down of its intercompany assets
- ‘No creditor worse off’ principle enshrined in the UK resolution regime
- If required for LAC purposes, Senior is expected to be downstreamed in a form subordinated to OpCo senior, thus complying with any TLAC / MREL requirement
- Future LAC downstreaming not planned to commence prior to completion of legal entity realignment for Ring Fencing

(1) The write-down of the intercompany assets will be determined by the relevant authority following valuations conducted per BRRD Article 36.

Ring-fencing – update

Target organisational structure [1]



- ~80% of RWAs expected to be committed to Ring-Fenced Bank [4]
- ~15% RWAs in CIB NRFB. Target well capitalised entity with an investment grade credit rating [4]
- Overall group supported by Bank-wide service platform and functions
- Future LAC downstreaming not planned to commence prior to completion of legal entity realignment for Ring-Fencing

Implementation timeline

- Submitted updated ring-fencing plans to regulator Jan 2016
- Final ring-fencing rules anticipated summer 2016
- Legal entity restructuring, including establishment of Ring-Fenced Bank holding company, to begin H2 2016
- Regular Rating Agency engagement anticipated throughout process
- Indicative financials for new legal entities anticipated prior to full implementation
- **Target operational compliance ahead of 1 Jan 2019 implementation**

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[1] The proposed future ICB structure comprises part of the preliminary plan submitted to the PRA in January 2016 and is subject, amongst other matters, to (i) further analysis and possible amendment following discussions with the PRA and finalisation of the ring-fencing legislation and the PRA ring-fencing rules, (ii) all applicable regulatory and other approvals and (iii) employee consultation procedures.
[2] Non-Ring Fenced Bank. [3] RBS plc will own most of our activities outside the ring-fence - primarily our Markets business (Rates, Currencies, DCM) and some corporate activity, as well as our US broker-dealer, RBSSI.
[4] Based on RBS future business profile business and excludes RBS Capital Resolution.

Sustainability Slides

Sustainable Banking

"Our ambition is to shape the communities we serve in a positive way. We recognise that we still have a long way to go to achieve this position across our business. Sustainability is therefore not just about the many responsibilities that RBS has, but about taking leadership on a broad range of issues that are important to our stakeholders."

Ross McEwan, Chief Executive

"RBS continues to have a clear ambition to be number one for customer service, trust and advocacy in each of our chosen business areas by 2020. Delivery of this ambition depends in large part on our ability to demonstrate beyond question that we are a responsible company doing business in a sustainable way"

Penny Hughes, Chairman of Sustainable Banking Committee

Building a sustainable bank

Strong governance: Focus areas for the Sustainable Banking Committee in 2015

- Driving action across the bank to support customers throughout their lives and better understand the needs of particular customer groups and ‘life moments’
- Oversight of how management is embedding culture and standards including engagement, motivation, living the values and leadership
- Oversight of the brand strategy and building on our legacy as a bank of brands, developing our brands to build on the connection with our customers
- Further development of the sustainability agenda, meeting the needs of our stakeholders whilst aligning with the Bank’s overall strategy
- On-going commitment to stakeholder engagement through face to face sessions with advocacy groups on key topics
- Further developing our strategy on environmental targets, climate change, sustainable energy and the social economy
- Transparent reporting through the independently assured annual Sustainability Review which describes our performance and approach to making RBS a more sustainable business.

Building a sustainable bank

Developing leadership positions on enterprise and financial capability

Supporting enterprise

Continued to support E-Spark, the world's largest free accelerator for start-up and scale up businesses, by opening 4 new hubs in the UK.

Successfully concluded a 3-year Inspiring Enterprise programme, which invested almost £15m in women, youth and social enterprises.

Developed the Women in Business Accreditation to equip our customer facing teams with specialist expertise in supporting women in business.

Launched the £2.5m Skills & Opportunities Fund, supporting not-for-profit organisations, state-funded schools & colleges to help people start-up in business or get into employment.

Lent over £1bn to UK customers for sustainable energy projects, helping them reduce bills and cut carbon.

Signed up to a further £3.4m 3-year partnership with The Prince's Trust, supporting young, disadvantaged and unemployed people start up in business.

Building financial capability

Launched a new and improved MoneySense programme to celebrate its 21st birthday – one of the longest-running, most innovative financial education programme for 5-18 year olds.

Launched the Foundation Account (basic bank account) to increase access to banking services for the unbanked.

Introduced 5 RBS Community Protection Officers across the UK to respond to branch staff concerns about the welfare or risk of financial harm to a customer.

Worked in partnership with the Citizens Advice Bureau (CAB) to ensure customers in financial difficulty are immediately transferred to an in-house CAB Advisor.

Launched TouchID and ApplePay on our Mobile App, enhancing usability and security.

Further developed our 'Act Now' text alert service to help customers manage their money and avoid charges.

Building a sustainable bank

RBS

Key benchmarks

	2012	2013	2014	2015
CDP				
RBS – Disclosure	89	88	98	99
RBS – Performance	B	B	B	B
Industry Av. - Disclosure	66	70	69	84
Industry Av. - Performance	C	C	C	C
DJSI				
RBS	79	82	82	80
Industry average	59	58	60	61
Industry best	93	93	93	94
FTSE4Good				
No score issued	Included	Included	Included	Included

- Retained top 10% positions in Dow Jones World Index and CDP Climate Disclosure Leadership Index
- Members of the United Nations Global Compact since 2003.
- Sustainability reporting aligned to the Global Reporting Initiative and is independently assured to AA1000 standards.

EQUATOR PRINCIPLES

Dow Jones Sustainability Indexes Member 2012/13

FTSE4Good

CDP DRIVING SUSTAINABLE ECONOMIES

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 plc’s (RBS) restructuring (which includes, the separation and divestment of Williams & Glyn, the proposed restructuring of RBS’s CIB business, the implementation of the UK ring-fencing regime, the implementation of a major development program to update RBS’s IT infrastructure and the continuation of its balance sheet reduction programme), as well as capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios and requirements, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAe), return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, AT1 and other capital raising plans, funding and credit risk profile; litigation, government and regulatory investigations RBS’s future financial performance; the level and extent of future impairments and write-downs, including with respect to Goodwill; future pension contributions, and RBS’s exposure to political risks, operational risk, conduct risk and 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 and other 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 the 2015 Annual Report and Accounts. These include the significant risks for RBS presented by the outcomes of the legal, regulatory and governmental actions and investigations that RBS is subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes (including where resolved by settlement); the uncertainty relating to the referendum on the UK’s membership of the European Union and the consequences arising from it; the separation and divestment of Williams & Glyn; RBS’s ability to successfully implement the various initiatives that are comprised in its restructuring plan, particularly the proposed restructuring of its CIB business and the balance sheet reduction programme; as well as the significant restructuring required to be undertaken by RBS in order to implement the UK ring fencing regime; the significant changes, complexity and costs relating to the implementation of its restructuring, the separation and divestment of Williams & Glyn and the UK ring-fencing regime; whether RBS will emerge from implementing its restructuring and the UK ring-fencing regime as a viable, competitive, customer focused and profitable bank; RBS’s ability to achieve its capital and leverage requirements or targets which will depend on RBS’s success in reducing the size of its business and future profitability; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity or failure to pass mandatory stress tests; the ability to access sufficient sources of capital, liquidity and funding when required; changes in the credit ratings of RBS or the UK government; declining revenues resulting from lower customer retention and revenue generation in light of RBS’s strategy to refocus on the UK, the impact of global economic and financial market conditions (including low or negative interest rates) as well as increasing competition. In addition, there are other risks and uncertainties. These include: operational risks that are inherent to RBS’s business and will increase as a result of RBS’s significant restructuring; the potential negative impact on RBS’s business of actual or perceived global economic and financial market conditions and other global risks; 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; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; the risk of failure to realise the benefit of RBS’s substantial investments in its information technology and systems, the risk of failing to preventing a failure of RBS’s IT systems or to protect itself and its customers against cyber threats, reputational risks; risks relating to the failure to embed and maintain a robust conduct and risk culture across the organisation or if its risk management framework is ineffective; risks relating to increased pension liabilities and the impact of pension risk on RBS’s capital position; increased competitive pressures resulting from new incumbents and disruptive technologies; RBS’s ability to attract and retain qualified personnel; 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; the extent of future write-downs and impairment charges caused by depressed asset valuations; deteriorations in borrower and counterparty credit quality; the value and effectiveness of any credit protection purchased by RBS; risks relating to the reliance on valuation, capital and stress test models and any inaccuracies resulting therefrom or failure to accurately reflect changes in the micro and macroeconomic environment in which RBS operates, risks relating to changes in applicable accounting policies or rules which may impact the preparation of RBS’s financial statements; the impact of the recovery and resolution framework and other prudential rules to which RBS is subject; the recoverability of deferred tax assets; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as at the date hereof, and RBS does not assume or undertake any obligation or responsibility 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.

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