

Building a truly customer centric bank

Strategy Outline

27 February 2014

Introduction

Philip Hampton, Chairman

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Ross McEwan

Transforming the Bank – implementation

Simon McNamara

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Our vision for a bank that earns your trust

- Be reliable, consistent and simple to do business with
- Earn our customers' trust and win more of their business
- Generate reliable returns, positive organic cash flow and pay an ordinary dividend

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

Where we are today

We have market leading franchises...

...but they are *vulnerable* if we don't act

We have made great progress in downsizing and risk reduction...

...but our *cost base* and *organisational model* still reflect our past ambition

We have been pro-active in refocusing on where we have a competitive advantage...

...but most of our businesses continue to generate *sub-par returns*

We must invest in our customer franchises

We have market leading franchises...

- ✓ #2 UK Retail current accounts
- ✓ #1 UK Small Business Banking
- ✓ #1 UK Wealth Management
- ✓ #1 UK Mid Corporates
- ✓ #1 UK Large Corporates, #4 in Europe
- ✓ #1 UK Cash Management, #4 in Europe
- ✓ Best Trade Finance Bank in UK and Western Europe
- ✓ Focused international platform including strong US and Asian distribution networks
- ✓ Strong capabilities in FX, DCM, Rates - Top 3 in UK, Top 10 in EMEA
- ✓ #1 Northern Ireland
- ✓ #3 Republic of Ireland

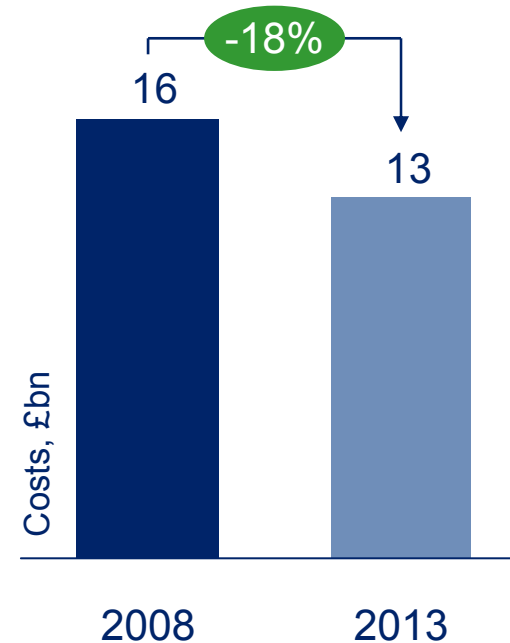
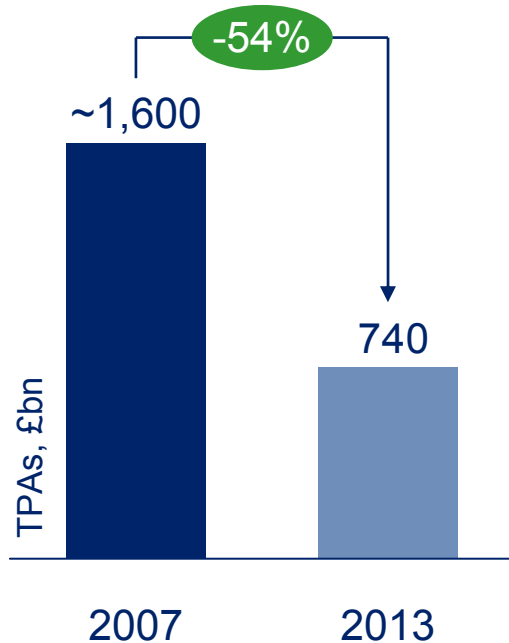
...but they are *vulnerable* if we don't act

- ✗ Customers' expectations are rising and their needs are rapidly evolving
- ✗ We make it too complicated for our customers to do business with us
- ✗ Questions remain around our technology
- ✗ Our reputation has been damaged by misconduct
- ✗ Our market share trend is flat in most franchises and declining in some

We must reduce cost and complexity further

We have made great progress in downsizing and risk reduction...

...but our **cost base** and **organisational model** still reflect our past ambition



- Loan : deposit ratio 94%
- Short-term wholesale funding £32bn
- Liquidity Coverage Ratio 102%
- Net Stable Funding Ratio 122%

- Siloed organisation
- Inefficient and inconsistent support and control functions
- Multiplicity of technology platforms
- Fragmented processes

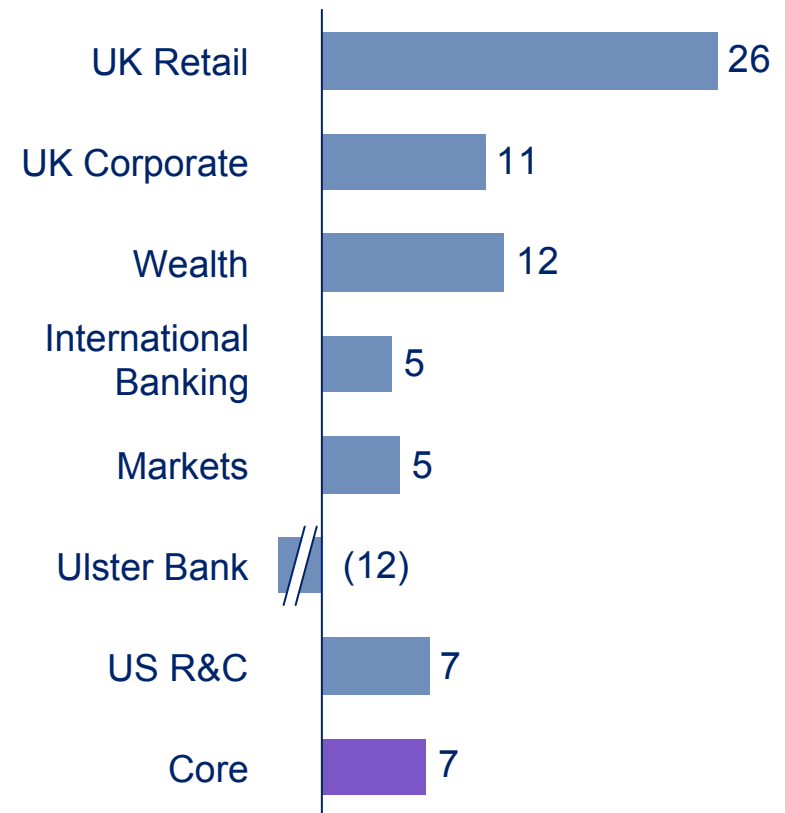
We must generate lower risk, strong and sustainable earnings

We have been pro-active in refocusing on where we have a competitive advantage...

- We made significant progress in rationalising our geographic footprint:
 - Exited 26 countries¹
 - Target client universe from 26,000 to 4,000²
- We have exited a number of businesses and products:
 - Commodities Trading – Sempra
 - WorldPay
 - DLG
 - Asian, EME and LatAm Retail
 - Aviation Capital
 - Wealth in Africa, LatAm & Caribbean
 - Project Finance³, Asset Management, Structured Asset Finance, Non-Conforming ABS, Equities, ECM, Corporate Broking, M&A Advisory

...but most of our businesses continue to generate *sub-par returns*

RBS FY 2013 Core Return on Equity by division excluding RCR impact, %



¹ Markets. ² Markets and International Banking target client universe. ³ Within GBM.

Our key priorities

- Organise around our customers
- Fundamental overhaul of cost base
- Intelligent deployment of technology
- Unquestioned capital strength
- Empower our people

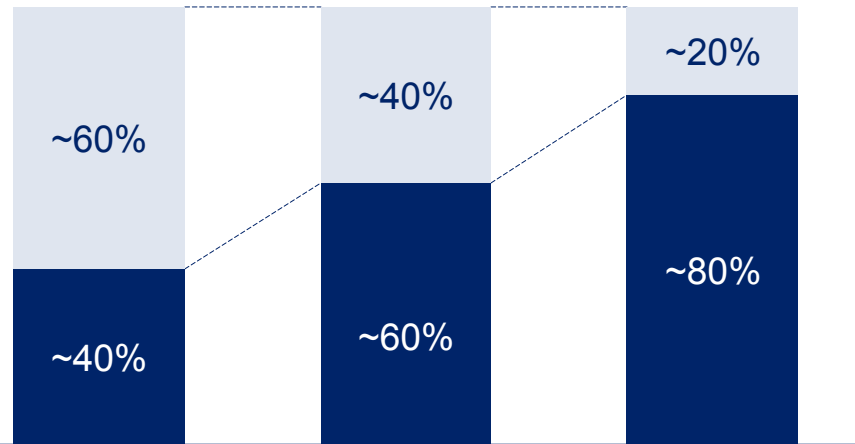
Our strategy: *UK focused Retail & Commercial bank*

With Markets and international capabilities to meet our clients' needs, primarily focusing to support their UK and Western European operations

Business mix shift towards the UK...

Illustrative split by total income

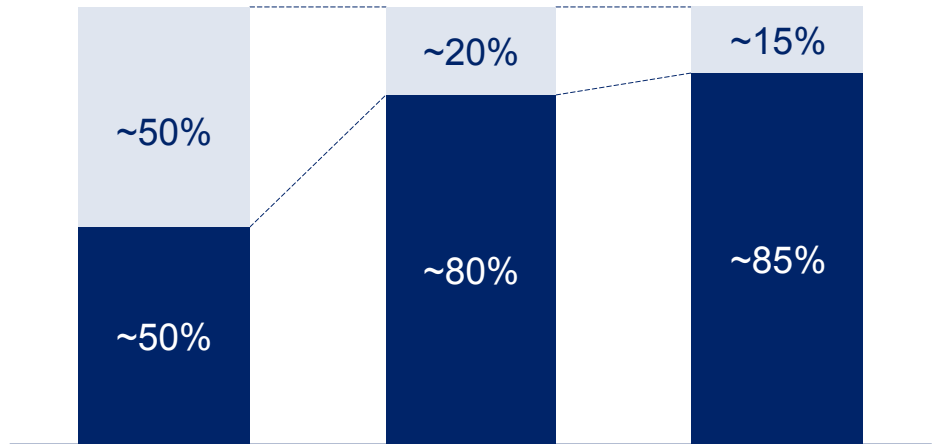
■ Non-UK ■ UK



....with emphasis on Retail & Commercial

Illustrative split by RWAs

■ Wholesale² ■ R&C



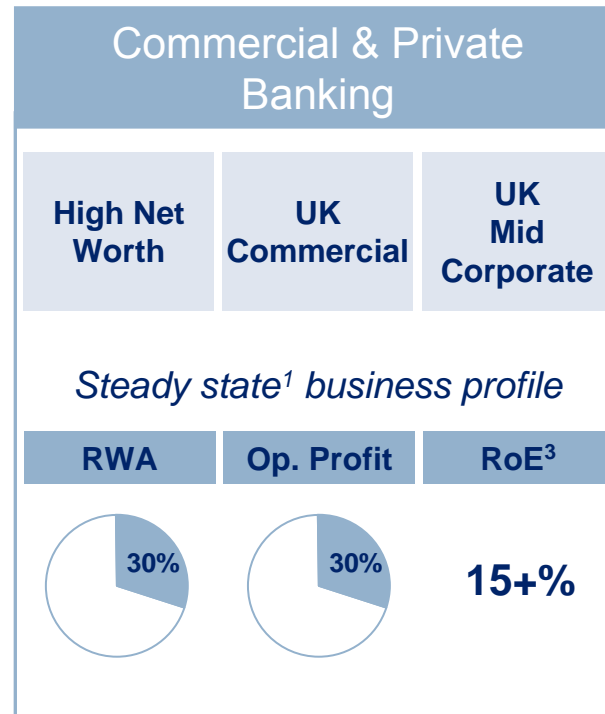
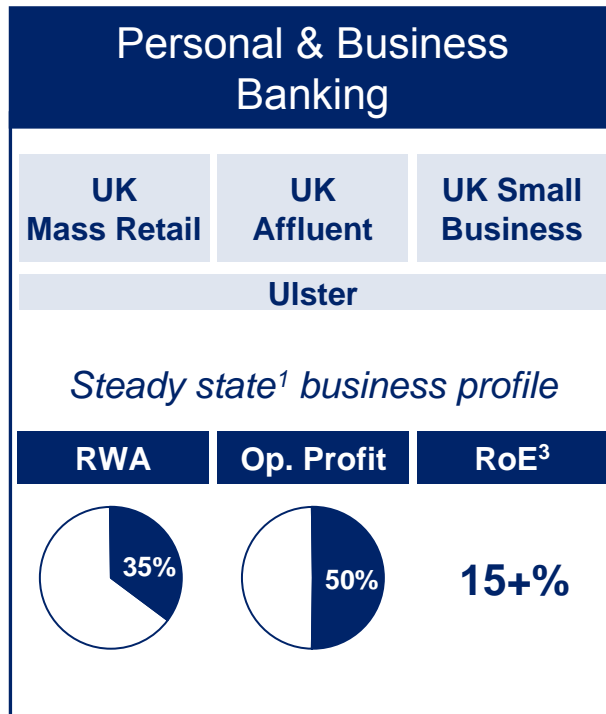
2008 Current Steady state¹ 2008 Current Steady state¹

- UK banking market is among the most attractive globally: 5th highest income, 5th largest profit pool
- Focus on Retail & Commercial will result in a significantly lower risk profile and higher returns

¹ Steady state defined as 2018 to 2020. ² Wholesale defined as GBM in 2008 and Markets for current and steady state

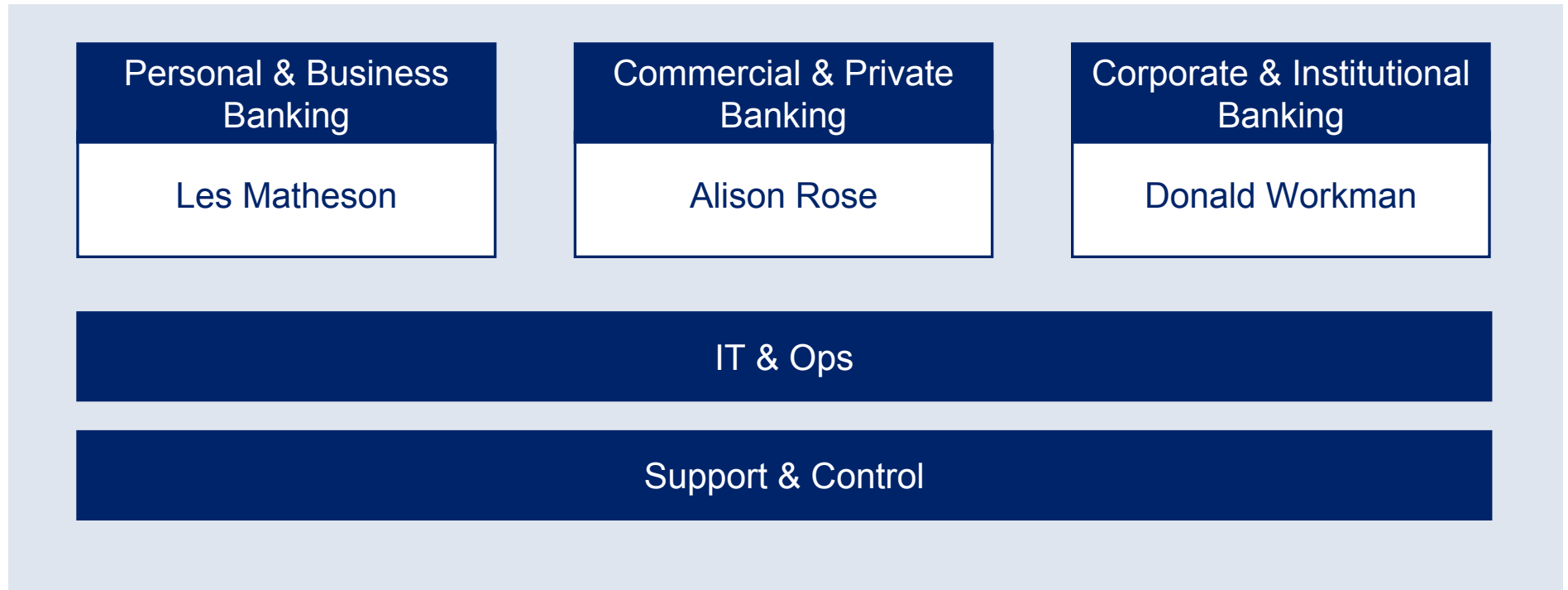
Organised to best serve our customers' needs

- From 7 Divisions to 3 businesses, each serving specific segments of customers with similar needs
- Rebalancing from c.70% of our people in “back office” support and control roles to a majority in customer-facing roles, with remuneration of all staff linked to customer service



¹ Steady state defined as 2018 to 2020. ² 7-8% medium-term target (2016/17). ³ Divisional return on equity target is based on 12% divisional RWAs, adjusted for capital deductions (expected loss, securitisations and pension deficit).

Managed as One Bank



Bank-wide service platforms and functions allow us to deliver the whole bank to our customers through their lifecycle and to drive hard on cost efficiency

Best UK bank for Personal & Business customers

Personal & Business Banking combines all customers with retail-like needs: mass retail, affluent and small business owners, enabling a coherent and efficient service proposition

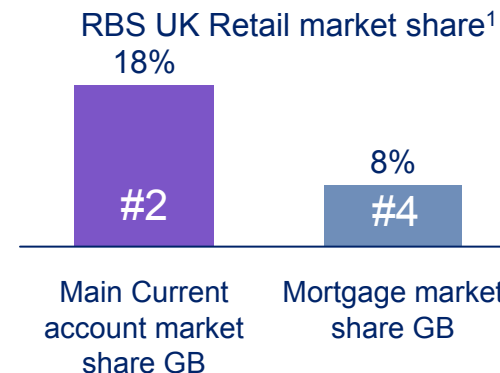
Our proposition

- Differentiated service and extensive multi-channel distribution network, enabled by technology
- Full range of simple services
- Fair and transparent pricing
- Market leading digital offering for Personal and Business customers
- More Business Bankers in branches
- Strong core brands

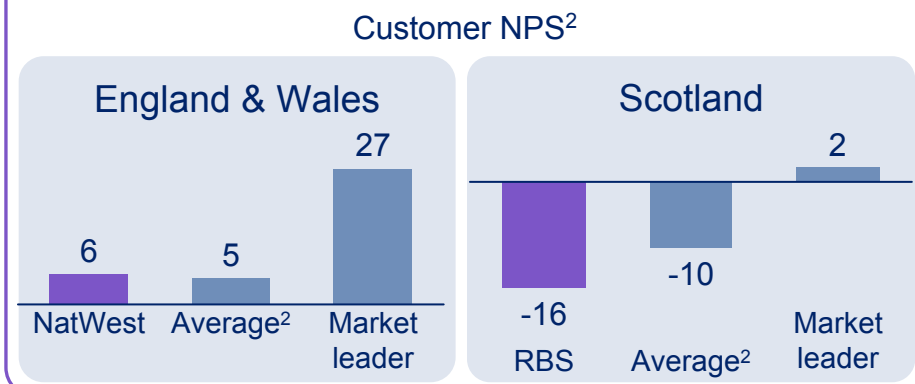


Our opportunities

- Meet more of existing customer needs



- Improve customer service and advocacy



¹ Market share of all main current accounts / Market share of all mortgage accounts. GfK: FRS 6 month ending December 2013. Competitor ranking based on banking groups. ² Customer NPS - a measure of our main CA customers' likelihood to recommend our current account service. Source: GfK: FRS 3 month ending December 2013. Market average compiled from competitor scores in E&W (Barclays, Co-op, Halifax, HSBC, LTSB (incl Lloyds Bank and TSB), Nationwide, NatWest, Santander) and Scotland (BoS, Clydesdale, LTSB (incl Lloyds Bank and TSB), RBS, Santander).

We continue to invest in our leading SME franchise

- **We are the UK bank best able to support business customers throughout their entire lifecycle**

SME franchise

As businesses grow and their needs become more complex, our proposition changes with them

Personal & Business Banking

- Convenience of our extensive multi-channel distribution network
- Easy access to Business Bankers in our branches

Commercial & Private Banking

- Dedicated relationship management
- Access to more sophisticated products and services

- **We are implementing the recommendations from the review by Sir Andrew Large**
 - Expanding our lending to SME businesses
 - Removing barriers, and speeding up decision making
 - We have put Business Bankers back in branches
- **Encouraging new business statistics**

New loan approvals



+39%
vs. Q412



+14%
vs. Q313

Gross lending



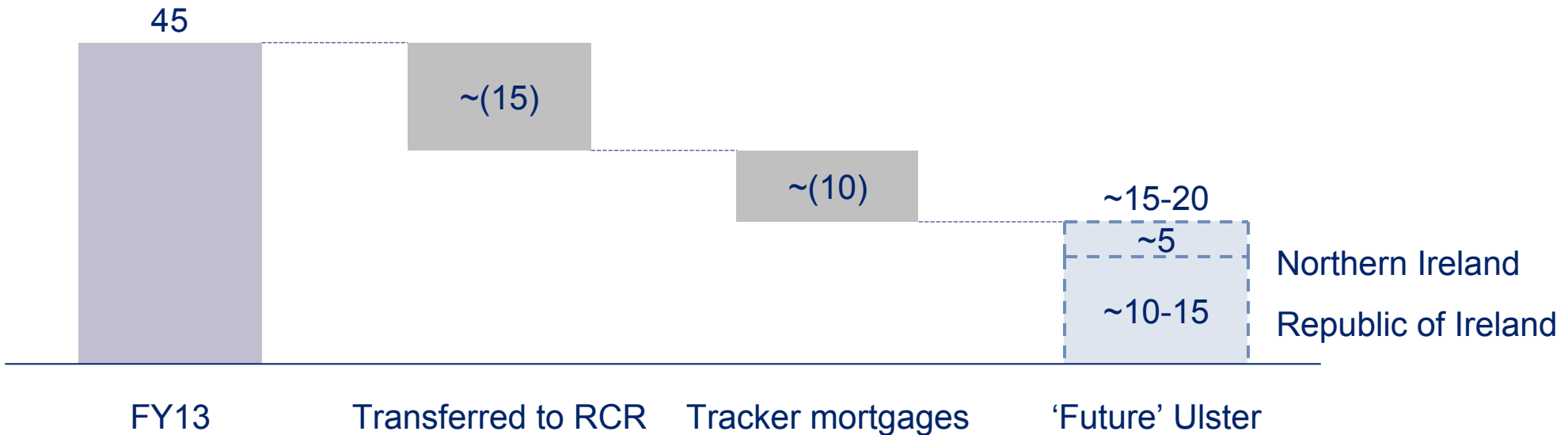
+21%
vs. Q412



+12%
vs. Q313

We will continue to transform Ulster Bank

Ulster Gross Third Party Assets, £bn



- We are committed to providing our Irish customers with a great everyday banking service
- However, legacy asset reduction in RCR will materially reduce scale of future franchise
- Evaluating options to address un-economic products, especially tracker mortgages
- Need to rationalise resource allocation and infrastructure to serve a smaller business model
- Connect Ulster NI better with UK Retail: Ulster wrapper, RBS/ NatWest capability
- Reposition and reconfigure Ulster RoI as *the* Irish challenger bank to the systemic banks

Market Leader in Commercial & Private Banking

Commercial & Private Banking brings together our Commercial franchise with our Private Banking offering, allowing us to better connect Coutts with successful business owners

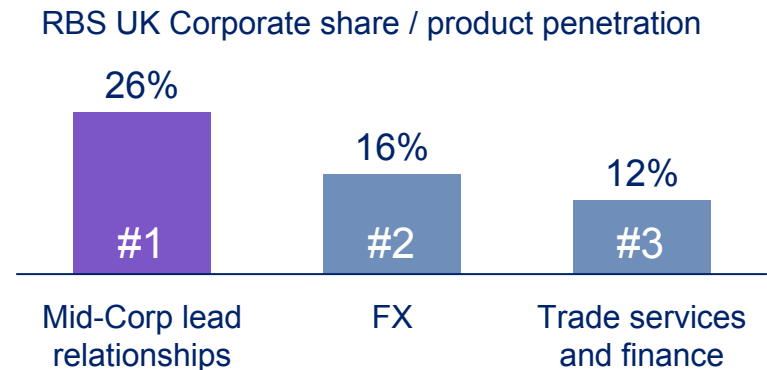
Our proposition

- Dedicated relationship management
- Full suite of market leading services
 - Lending
 - Transaction banking
 - Risk management
 - Wealth management
- Strong brands



Our opportunities

- Deepen relationships with internationally active Commercial clients through market leading FX and Trade propositions



- Better connect Coutts to successful business owners / entrepreneurs

Corporate & Institutional: the UK's pre-eminent Corporate Bank

We are aligning our Markets and international capabilities with our most sophisticated domestic and multinational clients' needs, primarily focusing to support their UK and Western European operations

Our proposition

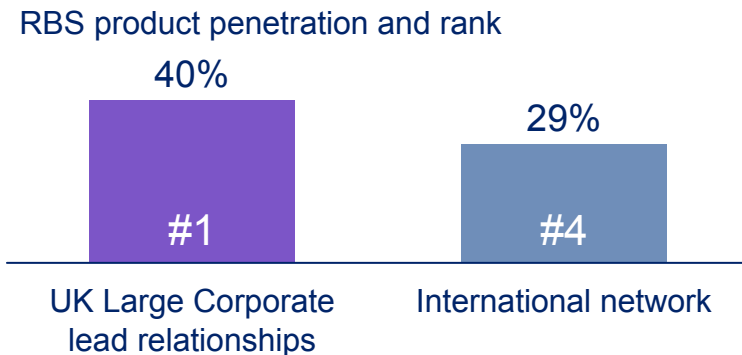
- Leader in Sterling & Euro issuance, strong USD capabilities
- Top 5 in core products¹
- Sustained #1 ranking in UK Private Placements
- Broad country network across Europe, Asia and the US

Strong and focused product offering

- **Debt Financing:** DCM, Structured Finance, Loans
- **Risk Management:** Currencies, Rates
- **Transaction Services:** International & Domestic Cash, Payments and Trade

Our opportunities

- Opportunity to increase penetration of international products

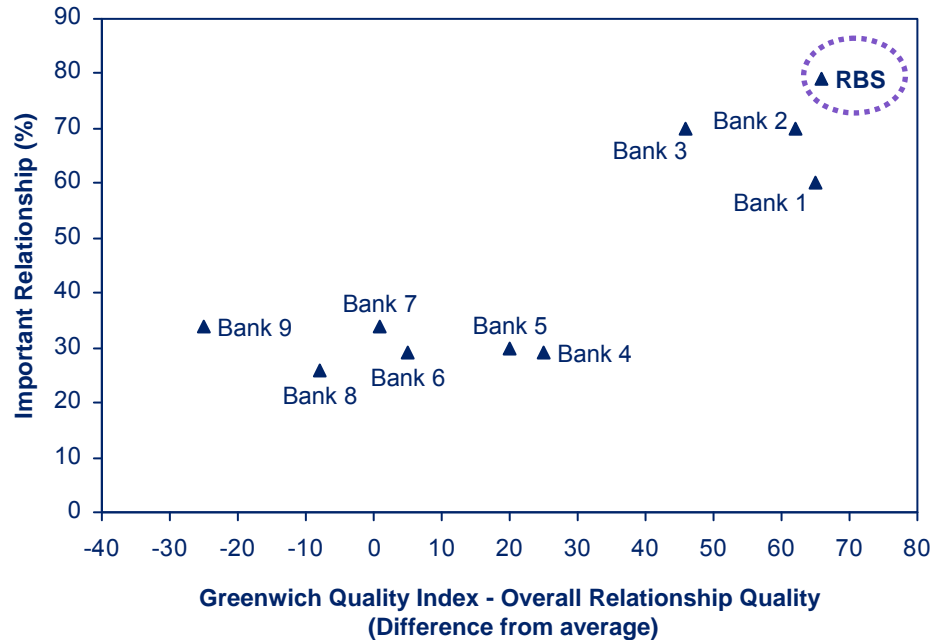


- Increased connectivity between Markets and Corporate Banking activities
- Increased connectivity across the network

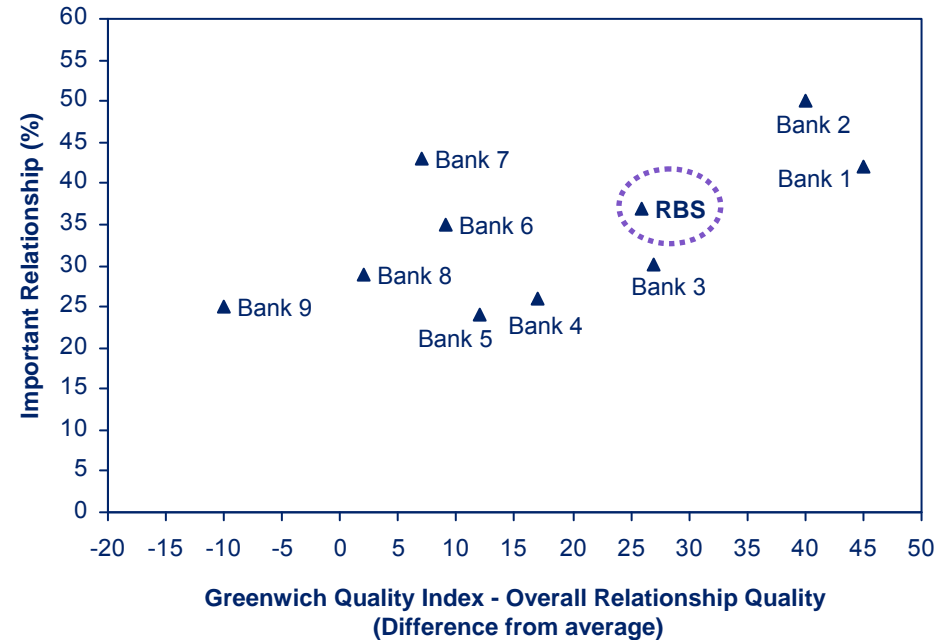
¹ European FX, £ DCM, £ Rates, International Cash Management and Trade Finance.

C&I has deep relationships with large corporates

UK Large Corporate Banking



Europe Top-Tier Large Corporate Banking



2014 Greenwich Share & Quality Leader

UK:

- #1 in Large Corporate Banking Market Penetration
- Quality Leader in Large Corporate Banking
- #1 in Large Corporate Cash Management Market Penetration

European Top-Tier:

- #4 in Large Corporate Banking Market Penetration
- #4 (tied) in Large Corporate Cash Management Market Penetration

Note:

1. Source is Greenwich Associates, 2013 European Large Corporate Banking and Cash Management Study.
2. The Greenwich Quality Index score is based upon a normalised composite of all qualitative evaluations transformed to a scale of 0 to 1,000 with the difference from the average shown.
3. Important Relationship score is based upon the % of clients who cited the bank as an important relationship. Top-tier companies include those with revenue and/or market capital in excess of €2.0 billion and larger foreign subsidiaries.

Next chapter: we are embarking on a multi-year transformation

2014

Immediate actions to improve customer focus and cost effectiveness

- Implement new organisation structure
- Stop low value add activities
- Continue to improve system resilience
- Simplify product offering
- Provide transparency on pricing/charges
- Increase penetration of online and mobile applications
- **Target costs ~£1bn lower by end-2014**

2015-onwards

Transformational change

- Investment in front-line customer propositions
- Future proof our technology infrastructure
- Complete fundamental end-to-end process re-design
- Implement ICB ring-fencing requirements
- **Medium-term cost base target of ~£8bn**

We will build a truly customer centric bank

How we define our long-term success

Customers

Service

#1 Net Promoter Score for each of our segments

Trust

#1 trusted bank in the UK

People

Great place to work

Engagement Index \geq Global Financial Services norm¹

Investors

Attractive and consistent returns

Return on Tangible Equity 12+%

Cost:income ratio ~50%

Unquestioned safety & soundness

CT1 ratio \geq 12%

Leverage ratio \geq 4%

Loan:deposit ratio ~100%

¹ Global Financial Services norm currently stands at 82%. Source: Towers Watson.

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Transforming the Bank

Where we are...

Multiple legacy systems running at sub-optimal cost

Ageing core systems

Operationally complex services, primarily built around branches

Multiple hand-offs for customers with failure/complaint at point of hand-off

Customer data held in various different systems

Where we want to be...

Systems rationalised and simplified

Systems based on a target architecture with improved resilience

A simple, multi-channel bank with leading digital and self-service capabilities

More “One & Done” service offerings supported by simpler joined up processes

Consolidated information used smartly to provide improved customer experience

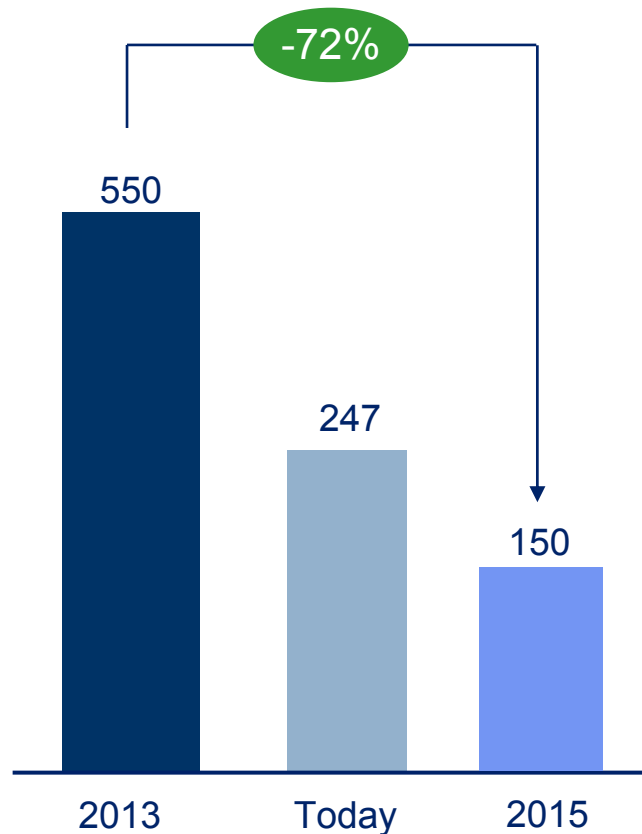
Opportunity to deliver a differentiated IT & Ops capability that enables us to serve our customers better

Transforming the Bank (cont'd)

Theme	Objective
RESILIENT	Giving our customers greater confidence in us by ensuring safe, secure and resilient foundations for the bank's systems
SIMPLER	Making it easier and quicker for customers to do business with us by simplifying our business processes and systems
EFFICIENT	Driving efficiencies in everything we do to reduce costs and deliver better value services to our customers
INNOVATIVE	Identifying new ways of doing things both inside the bank and with our external partners that will lead to improved service

Simplifying our change portfolio

Number of Projects



- Legacy portfolio had 550 programmes aligned to Divisions, many of which were duplicates
- Target of 150 initiatives, focused solely on the goals of the Bank
- Same investment levels planned, but now directed at process improvements rather than maintaining inefficient legacy infrastructure
- Focus on getting a greater return out of our change investment

We are too complex

109	Credit card propositions	16	Main UK Retail and Corporate call centres
7.8m	Manual payments processed annually	5	Mortgage platforms
1,133	Live websites	17	Days to produce a mortgage offer
7	Separate AML initiatives underway	£90m	Postage spend annually
10	Cash and coin centres	36	Different retail savings products

- Propositions currently too complex for our customers
- Initiatives already underway to simplify our most important customer propositions

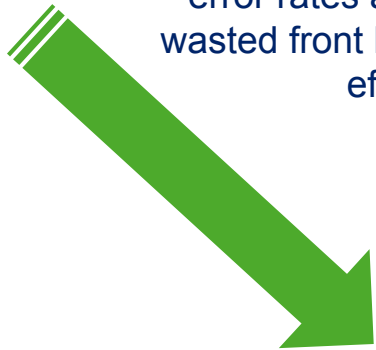
Simplify our propositions and how we deliver

Simplifying our technology estate

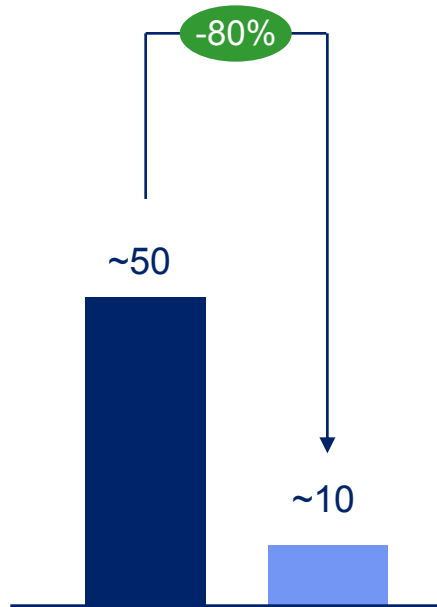
By reducing the number of platforms in use we can focus on their resiliency and reduce the overhead in their ongoing management

Reducing the number of platforms

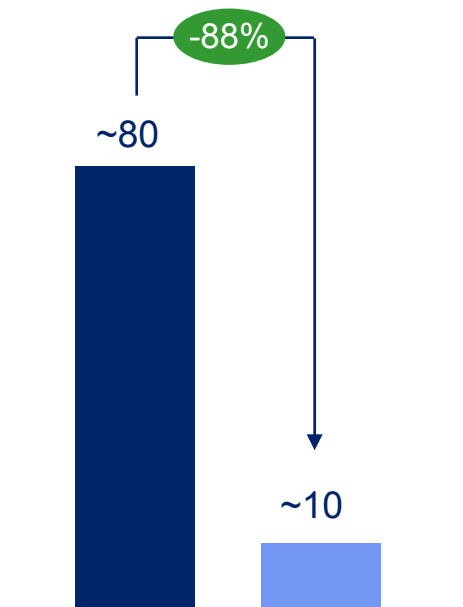
>50% fewer platforms reducing complexity, cost, error rates and wasted front line effort



Reducing the number of core banking systems



Reducing the number of payment systems¹

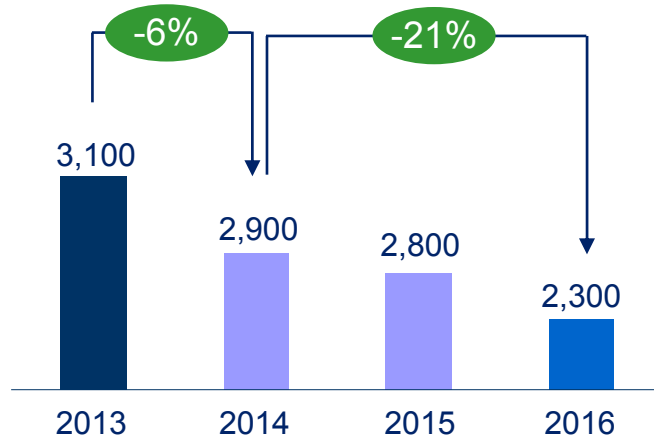


¹ Electronic payments, excluding ATM, POS, cheque and cash.

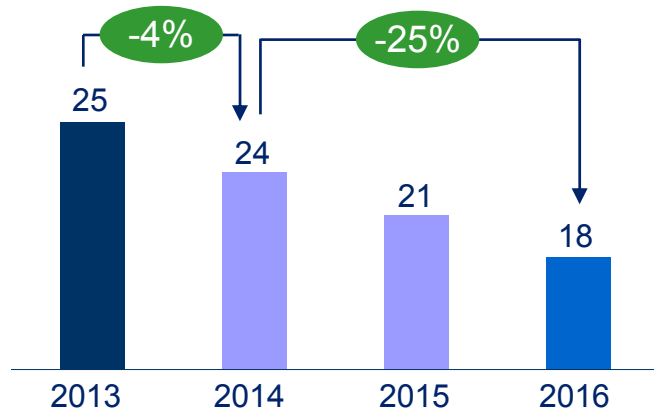
Simplifying our property portfolio

Bank-wide

Total Number of Properties¹

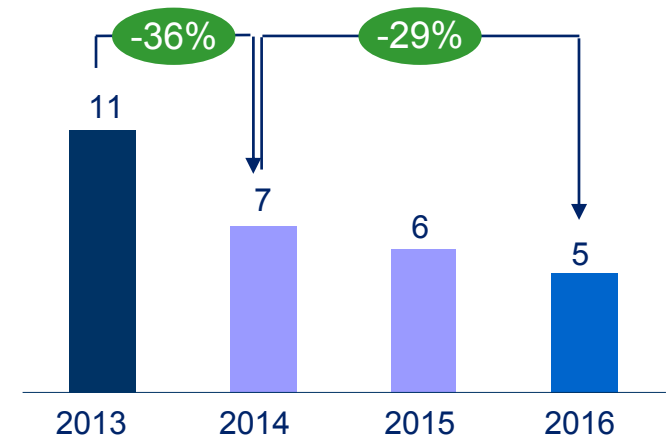


Total Property (m. sq. ft.)¹

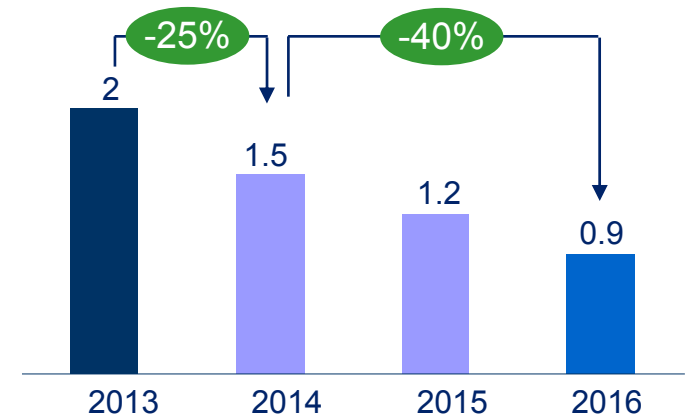


London case study

Number of London Offices²



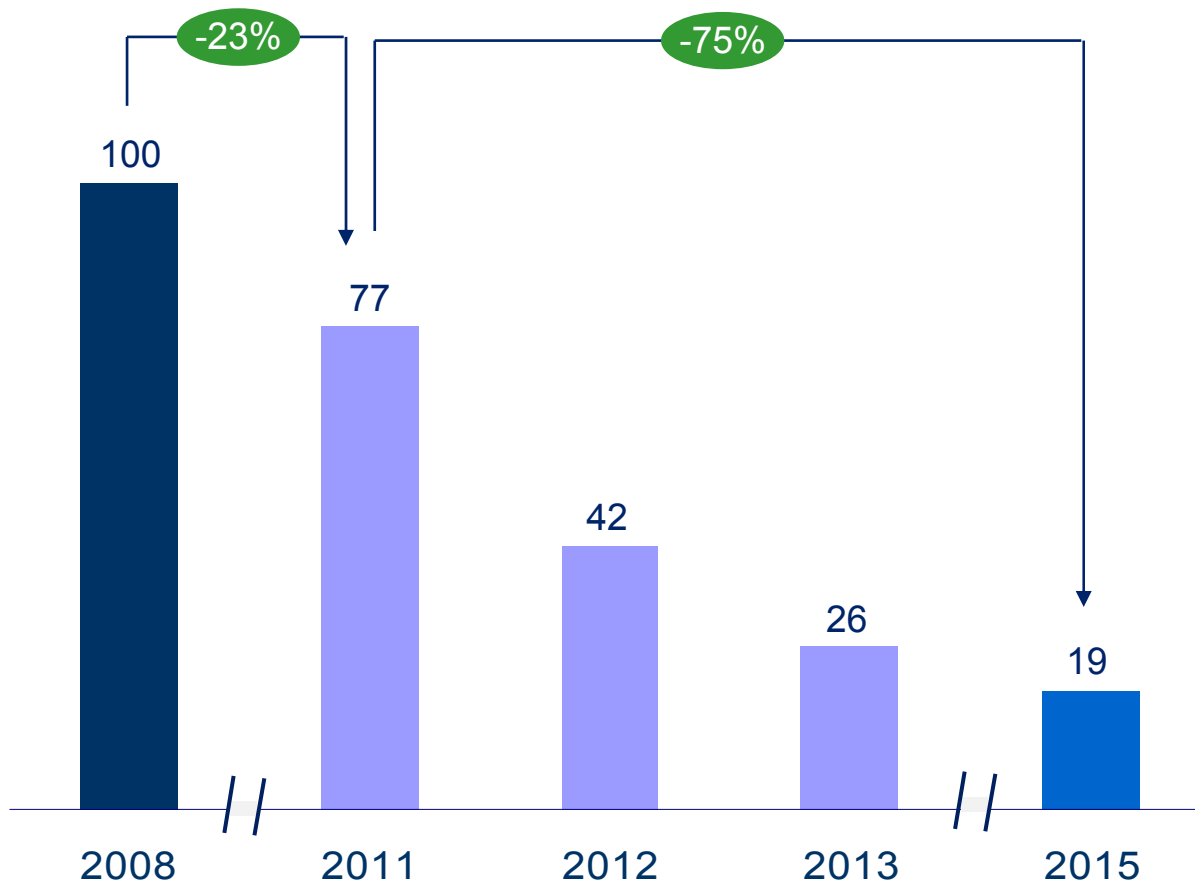
London Office (m. sq. ft.)²



¹ Whole bank including branches and head office properties and excludes Citizens. ² Includes head office properties only.

Focusing on fewer, more strategic supplier relationships

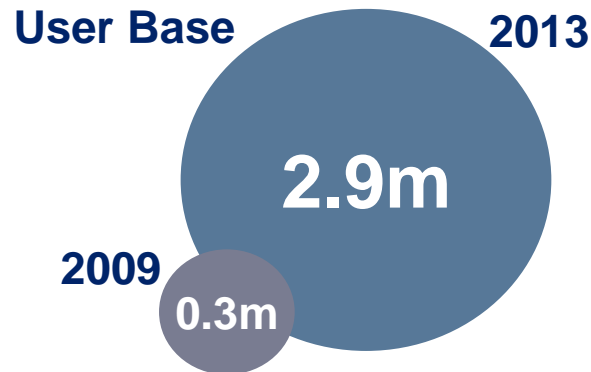
Number of RBS Suppliers ('000's)



- Launched an enhanced key supplier programme where each of our top 50 suppliers will have their own dedicated contact leading their strategic relationship
- We continue to focus on the value SME suppliers bring to our business as we build new tools to aid their growth

Building on our mobile and channel offering

Allows more of our customers to do more things when they want, meeting more of their needs at lower cost



Log-ins since launch



The only UK bank to offer app on Windows platform



Used in almost every country across the globe

Using data to better serve our customers

This involves:

Rationalising

where we hold data

e.g. from 15 data stores down to 2 for our UK Retail customers

Improving

the quality of the data

e.g. ensuring every one of our 16m Retail customers' details are up to date

Investing

more in analytics

e.g. £39m in data analysis tools and capabilities

This has so far led to:

400,000

New weekly customer conversations all driven by data insights

25 million

Weekly personalised messages in real-time through online banking

0800

Free insurance helpline texted to those customers in high flood risk postcodes

Safer technology infrastructure

Three core areas of focus will ensure the safety of our systems, reduce the number of incidents and minimise the impact of them on customers.

IT Resilience

Critical infrastructure will have proven resilience

Strengthen and remedy points of failure to improve recovery in the event of an incident

Batch Transformation

Batch processing will be simplified and fully recoverable in an incident

Automated, real-time dashboards, alerting us to issues

Critical Processes

Critical IT processes will be re-engineered for safety and soundness

Implementation of enhanced Service Management process and risks controlled with advanced tools

Delivering across the next five years



- Stop non-aligned in-flight/planned projects
- Accelerate aligned in-flight projects
- Define and deploy enablers for new portfolio
- Scope, plan and mobilise

Distribution
Seamless multi-channel service for customers and staff; standard business processes

Simplification
Rationalised technology base; many legacy applications decommissioned

Payments
Bank-wide payments platform to support all segments, geographies and payments schemes

Data
Common data platform for analysis and reporting; non-strategic data stores decommissioned

Infrastructure & Workforce Enablement
Our people working productively from any location

IT Resilience

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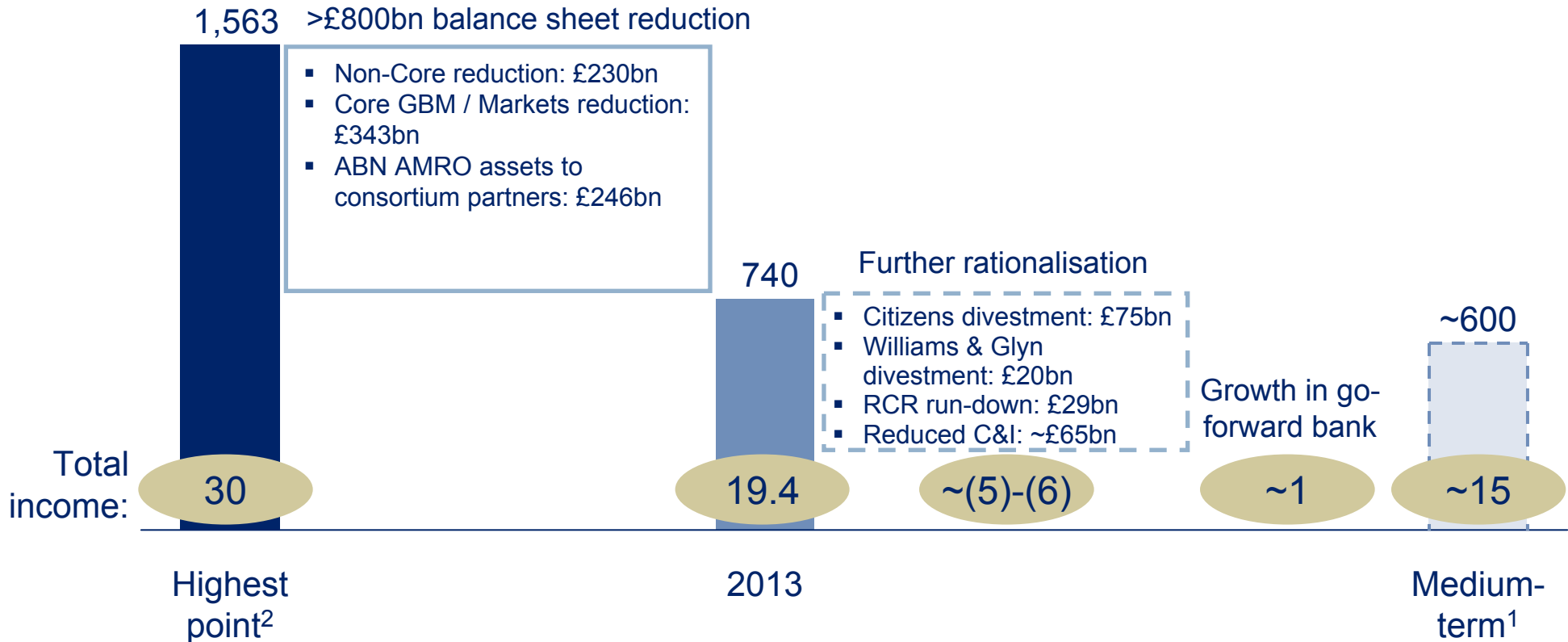
High level financial targets

	<u>2013</u>		<u>Medium-term</u> ²		<u>Long-term</u> ³
Return on Tangible Equity ¹	Negative	▶	~9-11%	▶	12+%
Costs	£13.3bn	▶	~£8bn	▶	~50%
Cost:income ratio ⁴	73%	▶	~55%	▶	
CT1 ratio ⁵	8.6%	▶	≥12%	▶	≥12%
Leverage ratio	3.5%	▶	3.5-4%	▶	≥4%

¹ Tangible equity based on CT1 ratio of 12%. ² Medium-term defined as 2016/17. ³ Long-term defined as 2018 to 2020. ⁴ Includes bank levy, EU resolution fund and restructuring costs. ⁵ FLBIII CT1 ratio.

Balance sheet rationalisation nearing successful conclusion

Funded assets and Total income, £bn

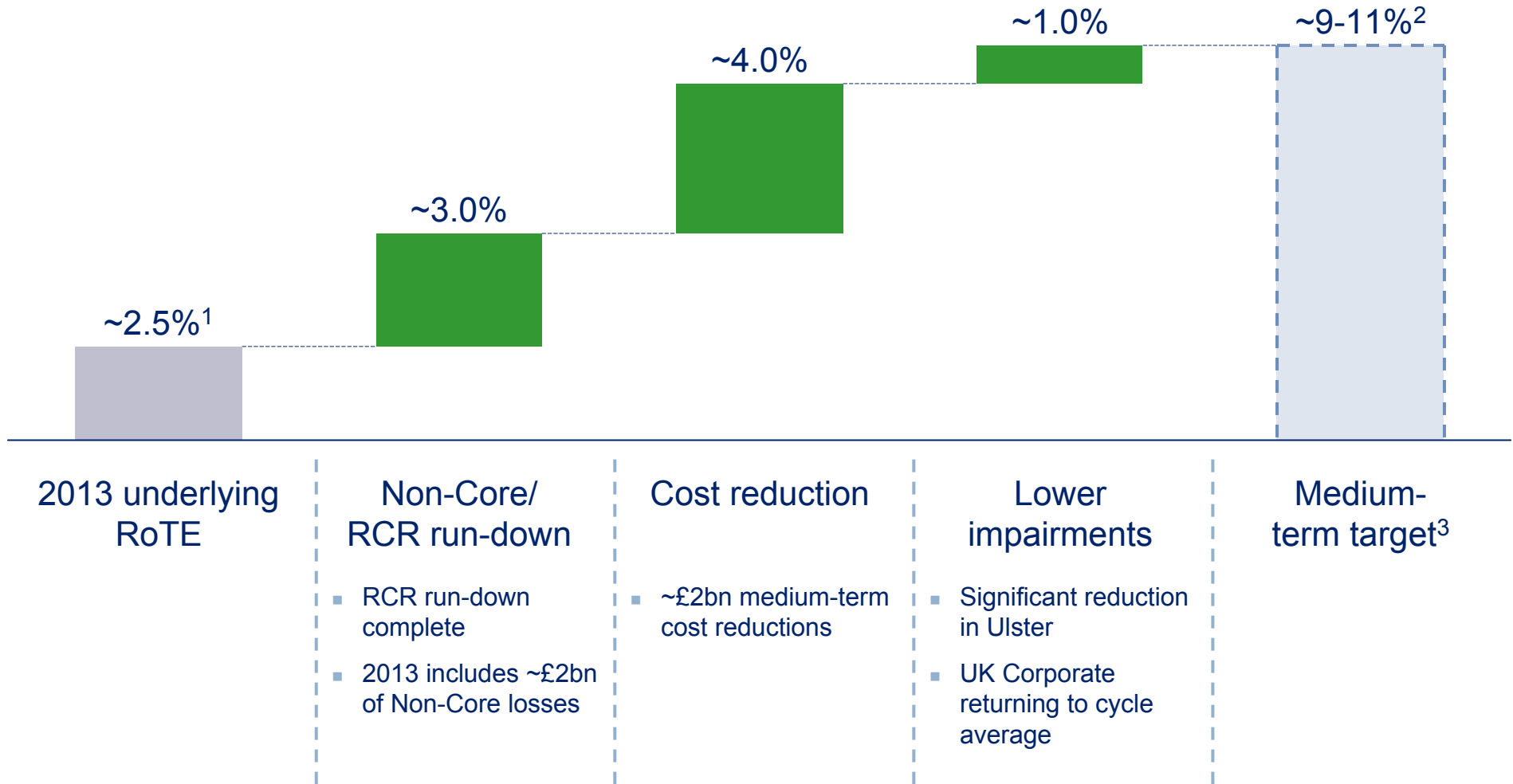


Journey to a UK focused bank with strong international capabilities

¹ Medium term defined as 2016/17. ² FY 2007 total income including ABN AMRO from date of acquisition; statutory funded assets at 31 December 2007.

Now we must focus on driving sustainable returns

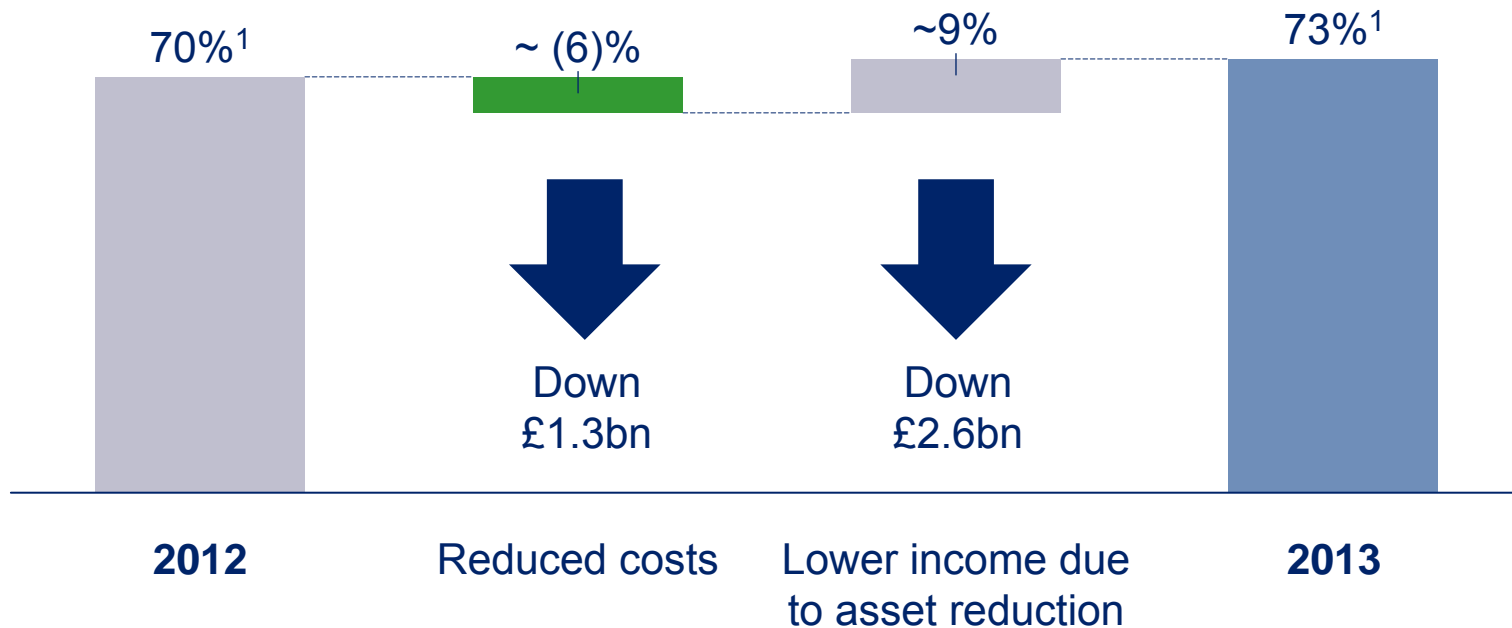
Return on Tangible Equity, %



¹ Normalised Group Return on Tangible Equity – Operating Profit ex. RCR less bank levy, EU resolution fund, amortisation of intangibles; taxed at 25% less preference dividends. ² Tangible equity based on CT1 ratio of 12%. ³ Medium term defined as 2016/17.

And address the legacy cost base

Cost : Income ratio, %

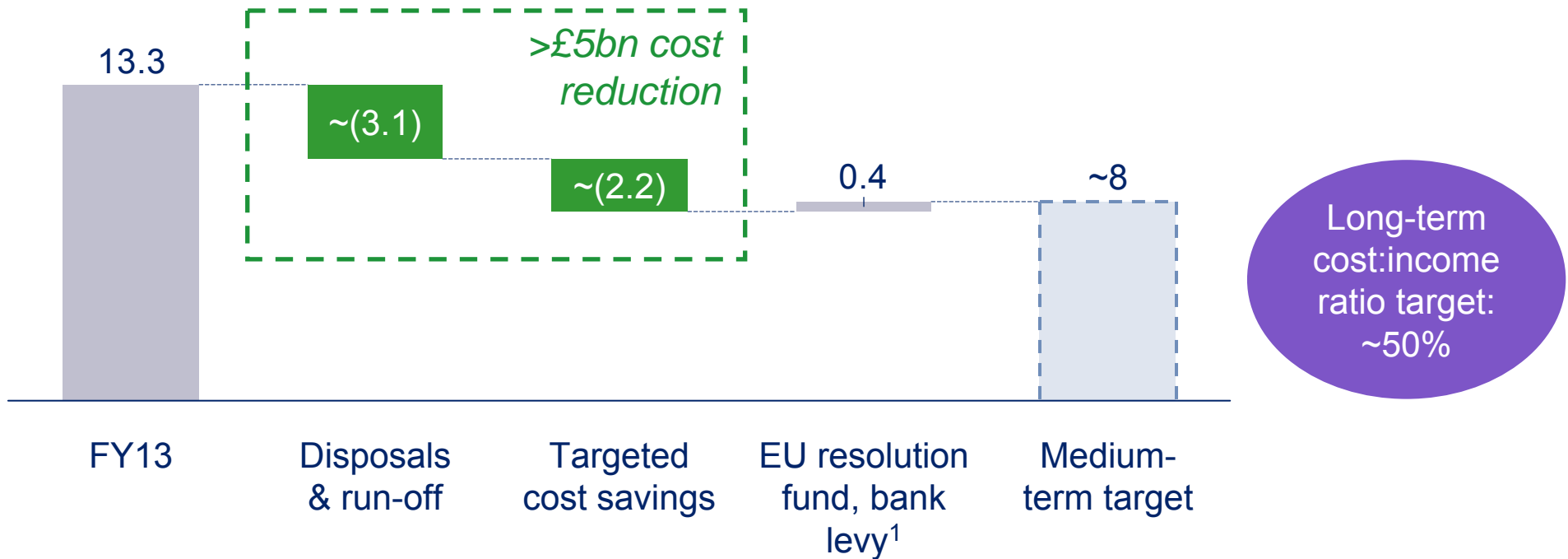


- Costs have not fallen in line with asset reduction, leaving us inefficient and resulting in low returns
- Future returns will be driven by leading customer service and efficiency

¹ Includes bank levy and restructuring costs.

We will make our cost base fit for purpose

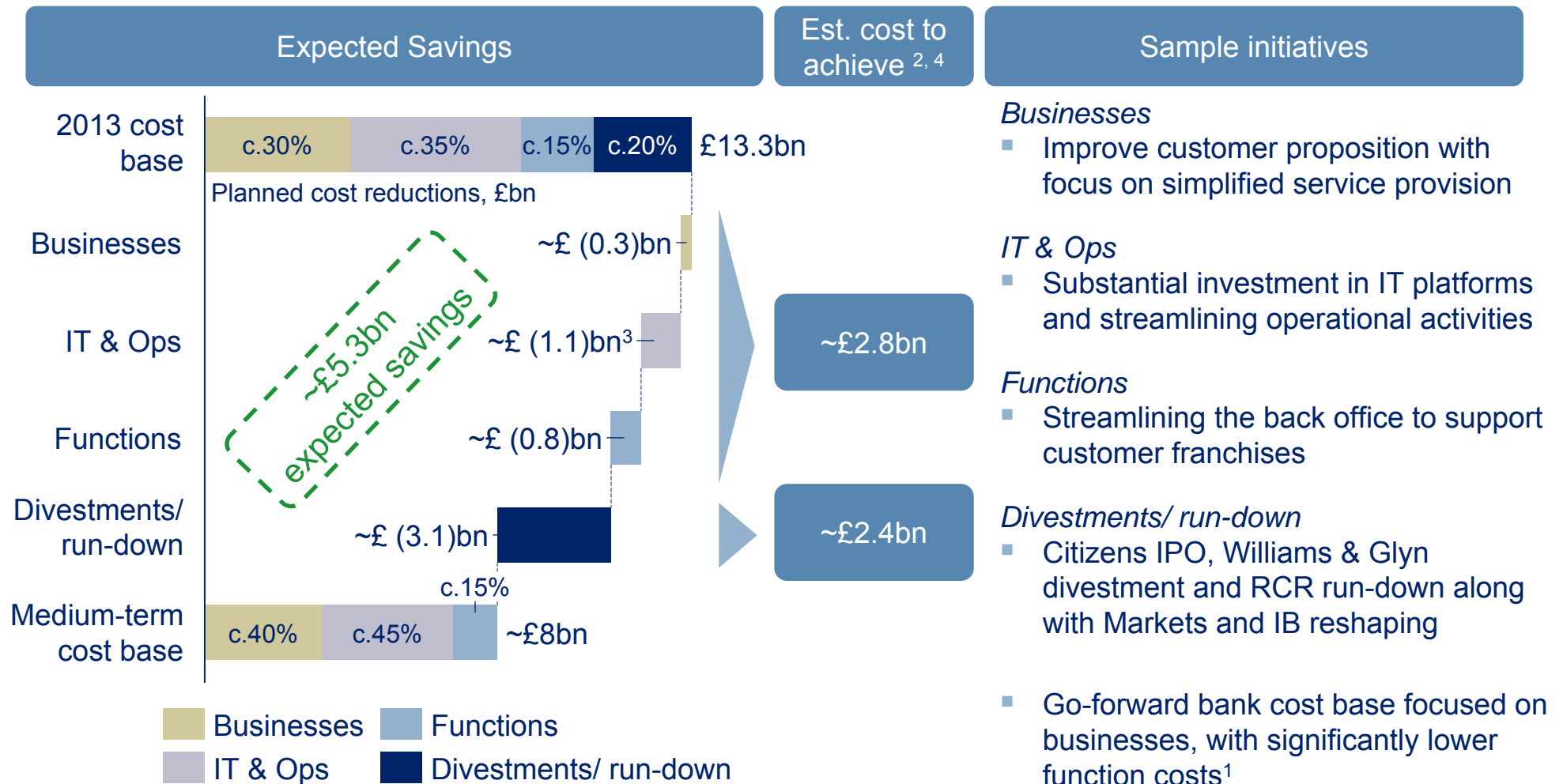
Operating expenses, £bn



- Our historic scale and complexity has led to inefficiency
- We need to align our cost base to the new more focused and smaller operating model
- Reductions to be delivered over a 4-year period

¹ To be included in the cost base going forward.

Delivering our strategy will further reduce costs by ~40%



We will continue to invest in the front line while simplifying how we operate

¹ Functions include Head Office and other overhead costs. ² Restructuring costs. ³ Out of which ~£0.3bn is property related. ⁴ Of the total cost to achieve of ~£5.2bn, ~£1.3bn is property related.

Restructuring costs explained

Restructuring costs, £bn

	2014	2015	2016	2017	Total
Restructuring costs					
Total restructuring costs	~£2bn	~£2bn	~£1bn	~£0.2bn	~£5.2bn
<i>o/w incl. in previous guidance¹</i>	~£1bn ¹				
Incremental restructuring costs	~£1bn	~£2bn	~£1bn	~£0.2bn	~£4.2bn
	<i>o/w cost of achieving asset reductions/ realisations – Markets</i>				~£0.6bn

~£3.6bn traditional restructuring costs o/w:

~£2.4bn to reduce current cost base by ~£2bn
 ~£1.2bn to reshape Markets and IB to support our franchise over the next 3 to 5 years

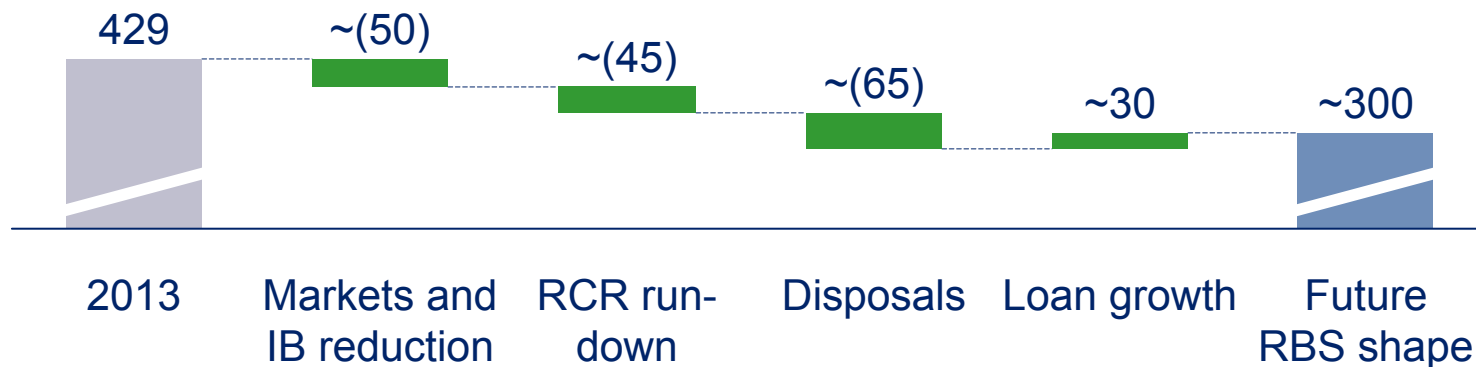
- Attractive payback from restructuring
- Of the ~£5.2bn restructuring costs, ~£1bn already committed in previous programmes
- Restructuring costs to be fully allocated to appropriate businesses

¹ Relates to Citizens, Williams & Glyn, and balance of previous Markets restructuring.

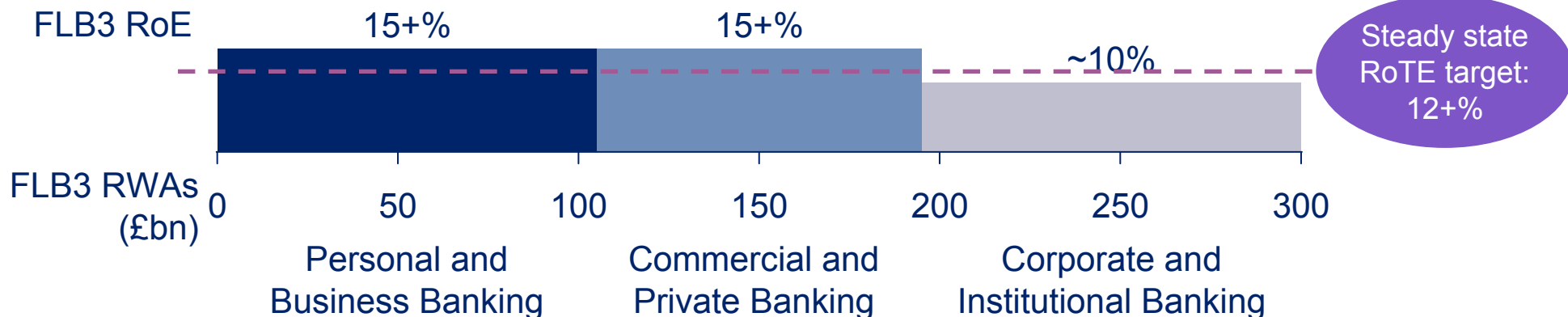
Optimising our capital usage

Key elements of capital usage optimisation

FLB3 RWAs, £bn



Steady state¹ RBS – RoE expectations and capital usage per division

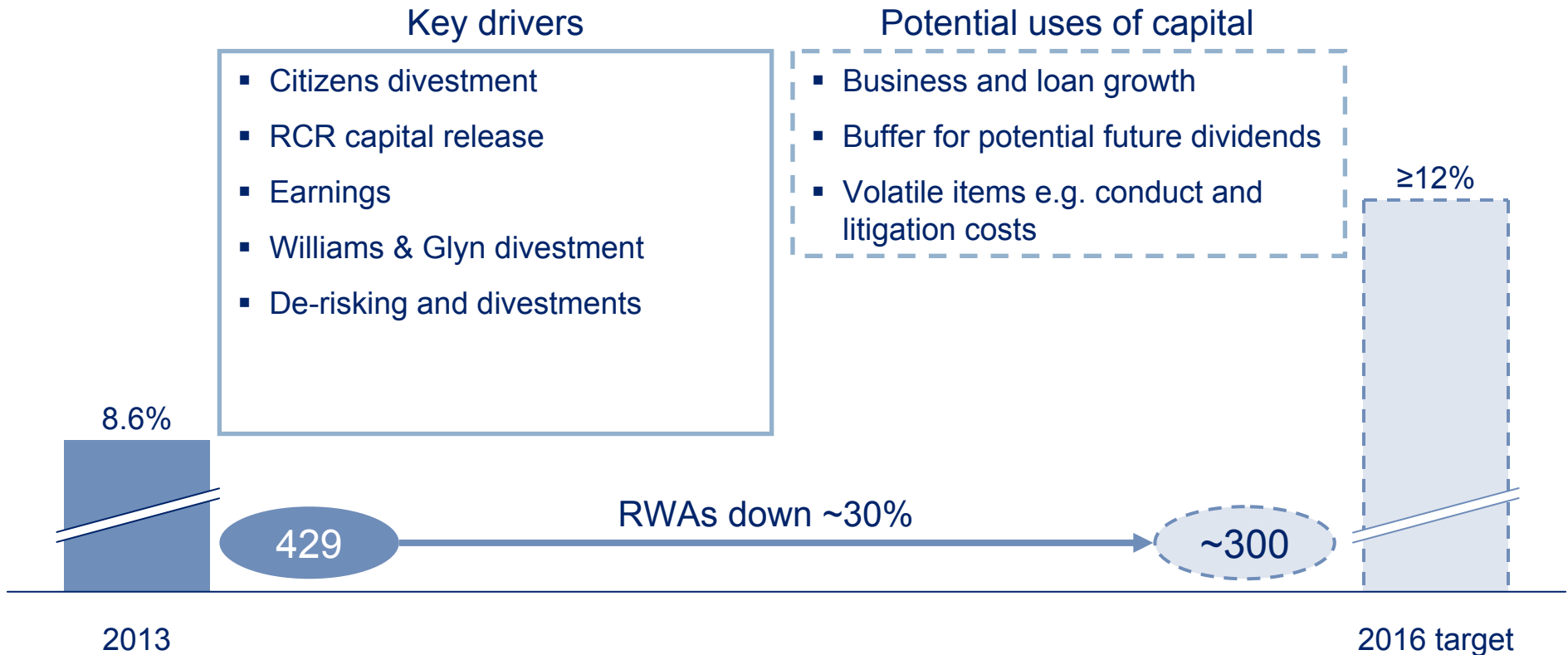


Within C&I steady state¹ : (1) Markets RWAs c.£45bn, Markets income ≤£2bn; (2) International Banking (IB) RWAs c.£40bn, IB income c.£1.5bn

¹ 2018 to 2020.

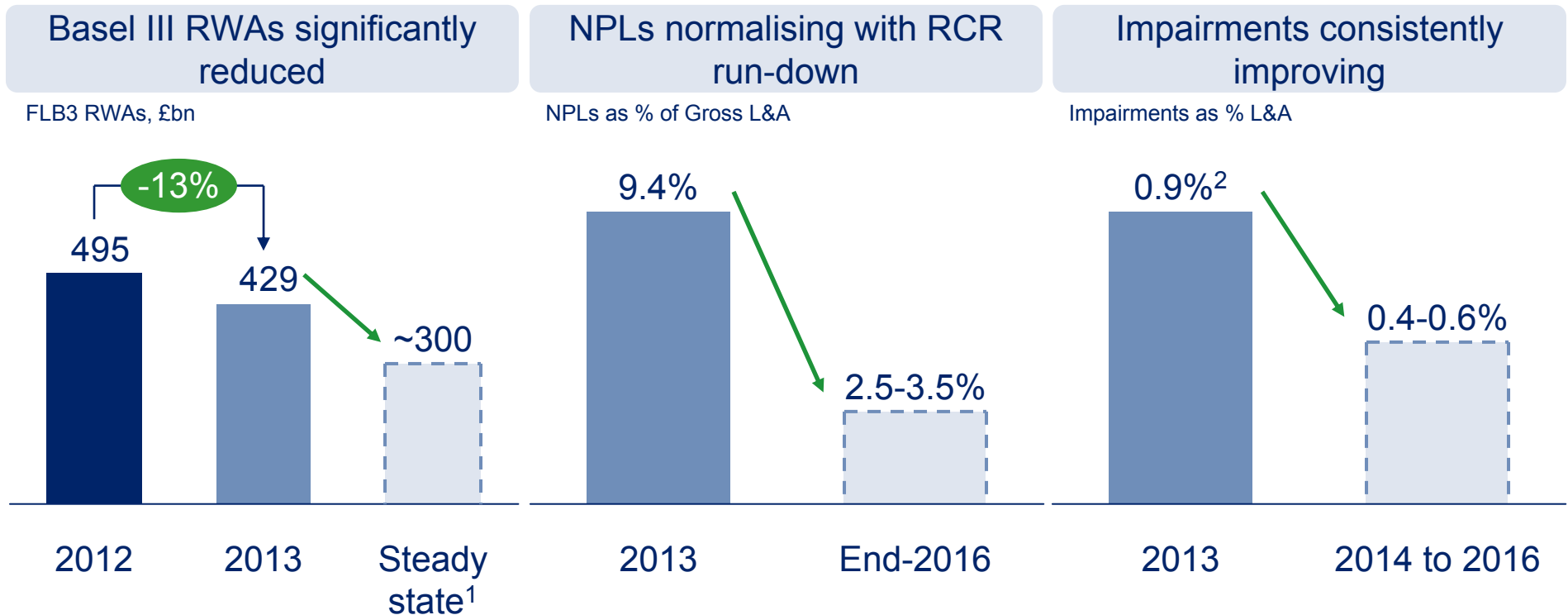
Building capital strength

FLB3 CT1 ratio, %



- We continue to target an FLB3 CT1 ratio of 12% or beyond by the end of 2016
- Citizens IPO and RCR run-down – key drivers; good progress being made
- Citizens – plan to exit the business fully by the end of 2016
- Williams & Glyn – expect to sell a majority stake by the end of 2016

Our future profile will be lower risk



- RCR run-down is already starting to enhance our risk profile
- Expect medium-term to improve stressed impairments by 40-50%
- Targeting 'undoubted' capital strength e.g. CT1 ratio $\geq 12\%$, leverage ratio $\geq 4\%$

¹ 2018 to 2020. ² Excluding RCR impact.

New reporting structure

- From Q2 2014 we will move our reporting to the 3 businesses structure, RCR reported separately
- No Below-the-Line items – except Own Credit Adjustments, Goodwill and Disposals
- All costs will be allocated to businesses providing a complete picture of performance
- Expect restatements in Q2 2014. Q1 2014 divisional reporting to be on 'old' basis but with RCR reported separately
- Investor Roundtables on New Businesses in 2014. Pencil in late Q2 for Personal & Business Banking and H2 for Commercial & Private as well as Corporate & Institutional Banking



New business structure – indicative financial highlights

Table below shows indicative financial highlights excluding the impact of RCR.

FY13, £bn	Personal and Business Banking	Commercial and Private Banking	Corporate and Institutional Banking
Income	6.2	4.7	5.6
Costs	(3.5)	(2.6)	(4.1)
Impairments	(1.3)	(0.7)	(0.3)
Operating Profit	1.4	1.5	1.2
FLBIII RWAs	77	80	163
Estimated RoE (%)	9%	10%	4%
Cost:income ratio (%)	57%	54%	74%

Notes:

- (1) Pro-forma and indicative subject to final confirmation. Excludes Non-Core, US R&C, Group Centre, planned asset transfers to RCR and associated financial impacts (impairments and income related).
- (2) Personal and Business Banking includes most small businesses with turnover up to £2m and the whole of Ulster Bank (Core). Includes Williams & Glyn retail.
- (3) Corporate and Institutional Banking includes FTSE350 and equivalent businesses as well as complex Financial Institutions.
- (4) Estimated RoEs based on RWA equivalents (RWAs including capital and other deductions (e.g. pension fund)) and based on a target 12% CT1 ratio.
- (5) Williams & Glyn corporate business and RBS International allocated to Commercial and Private Banking.
- (6) Operating Profit and RoE excludes Below the Line items.

Future RBS profile designed to address ICB



- Details of ICB are still evolving and are subject to change
- Our new structure is designed to be flexible and is broadly compliant with the current direction of travel
- We expect majority of assets to be eligible for a broad ring-fence
- Expect single point of entry approach for resolution planning

Detailed plan to be finalised as regulatory rules become clear

Outlook

Income	<ul style="list-style-type: none">2014 NIM stable to slightly upExpect some underlying 'core' loan growth
Costs	<ul style="list-style-type: none">2014 target c.£1bn reduction¹Medium-term reduction of absolute costs to ~£8bn
Restructuring costs	<ul style="list-style-type: none">Restructuring costs of ~£2bn in 2014, of which ~£1bn included in previous guidanceTotal incremental restructuring cost of ~£4.2bn
Cost:income ratio ²	<ul style="list-style-type: none">Medium-term target: ~55%Long-term target: ~50%
Impairments	<ul style="list-style-type: none">Expect c.40-60bps as % of L&A 2014-16
Return on Tangible Equity ³	<ul style="list-style-type: none">Medium-term target: 9-11%Long-term target: 12+%

Note: Medium term defined as 2016/17. Long-term defined as 2018 to 2020.

¹ Based on 2013 operating expenses of £13.3bn. ² Includes bank levy, EU resolution fund and restructuring costs. ³ Tangible equity based on CT1 ratio of 12%.

Agenda

Strategy Outline

Ross McEwan

Transforming the Bank – implementation

Simon McNamara

Go-forward financial profile

Nathan Bostock

Conclusions

Ross McEwan

Q&A

Philip Hampton

Our Investment Case

Market leading businesses in large, attractive markets

Attractive returns delivered medium-term

Lower risk, sustainable retail & commercial based earnings

Robust capital position, model capable of paying dividends

Continued transparency; track and report progress

Q&A

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', 'believes', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: the Group's restructuring and new strategic plans, divestments, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; discretionary coupon and dividend payments; implementation of legislation of ring-fencing and bail-in measures; sustainability targets; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; and the Group's exposure to political risks, including the referendum on Scottish independence, 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 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 about 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 cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: global economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on the Group in particular; the ability to implement strategic plans on a timely basis, or at all, including the simplification of the Group's structure, the divestment of Citizens Financial Group and the exiting of assets in RBS Capital Resolution as well as the disposal of certain other 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 capital adequacy or liquidity requirements; organisational restructuring in response to legislation and regulation in the United Kingdom (UK), the European Union (EU) and the United States (US); the implementation of key legislation and regulation including the UK Financial Services (Banking Reform Act) 2013 and the proposed EU Recovery and Resolution Directive; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; litigation, government and regulatory investigations including investigations relating to the setting of LIBOR and other interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the US; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group's operations) in the UK, the US and other countries in which the Group operates or a change in UK Government policy; changes to regulatory requirements relating to capital and liquidity; 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, including changes in regulatory capital regulations and liquidity requirements; impairments of goodwill; pension fund shortfalls; general operational risks; HM Treasury exercising influence over the operations of the Group; reputational risk; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group's activities as a result of HM Treasury's investment in the Group; and the success of the Group 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 the Group 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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