

# RBS Citizens Barclays Presentation

Bruce Van Saun, Chief Executive Officer

March 7, 2014

## **RBS Citizens is an attractive franchise with a good foundation:**

- Good geographical footprint and a balanced business mix
- Strong culture with emphasis on customers, colleagues, and community
- Robust product offerings that focus on our customers needs
- Capable and energized leadership team
- Strong, clean balance sheet

## **RoTCE is currently too low, with a variety of causes:**

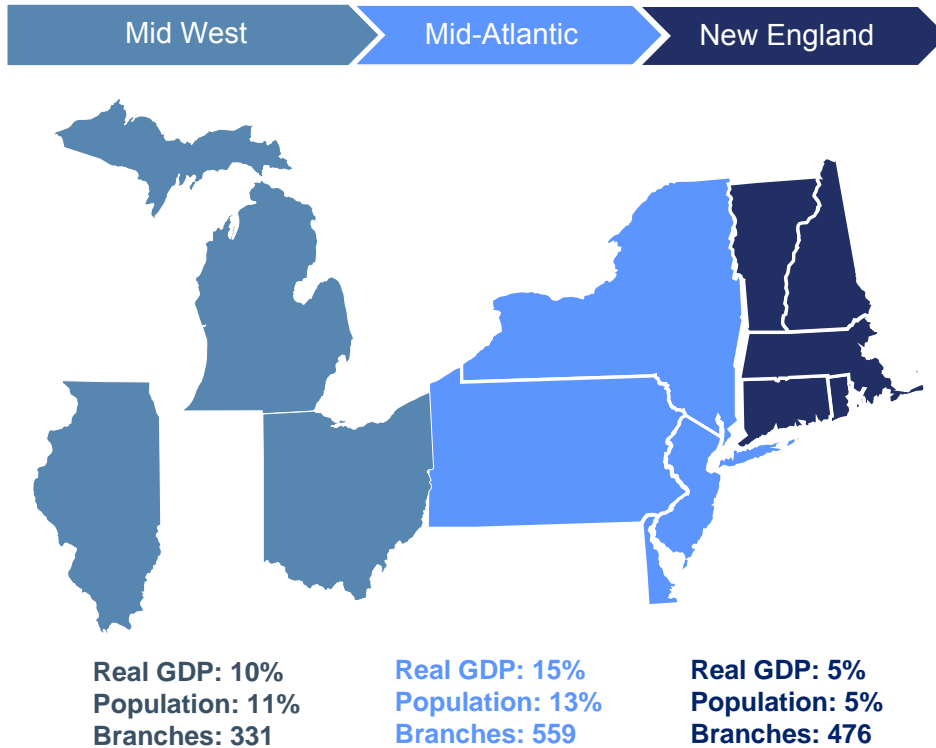
- NIM below peers given asset mix, low LDR, conservative risk appetite, pricing / hedging
- Need to catch up on investment spending, regulatory and compliance capabilities
- Not fully capitalizing on cross-sell potential

## **To drive improved performance over the medium term, we will:**

- Maximize the full potential of our core business by putting the customer at the center of everything we do
- Grow our balance sheet and improve our asset mix and yield
- Leverage our investment spend by becoming more effective and efficient
- Execute on several tactical initiatives including “Project Top”, “Project Cedar”, Chicago branch transaction, and capital optimization

**The result will be a top performing regional bank with a clear path to 10%+ return on tangible common equity for our shareholders**

Citizens operates in a 12 state footprint within 3 geographic regions...



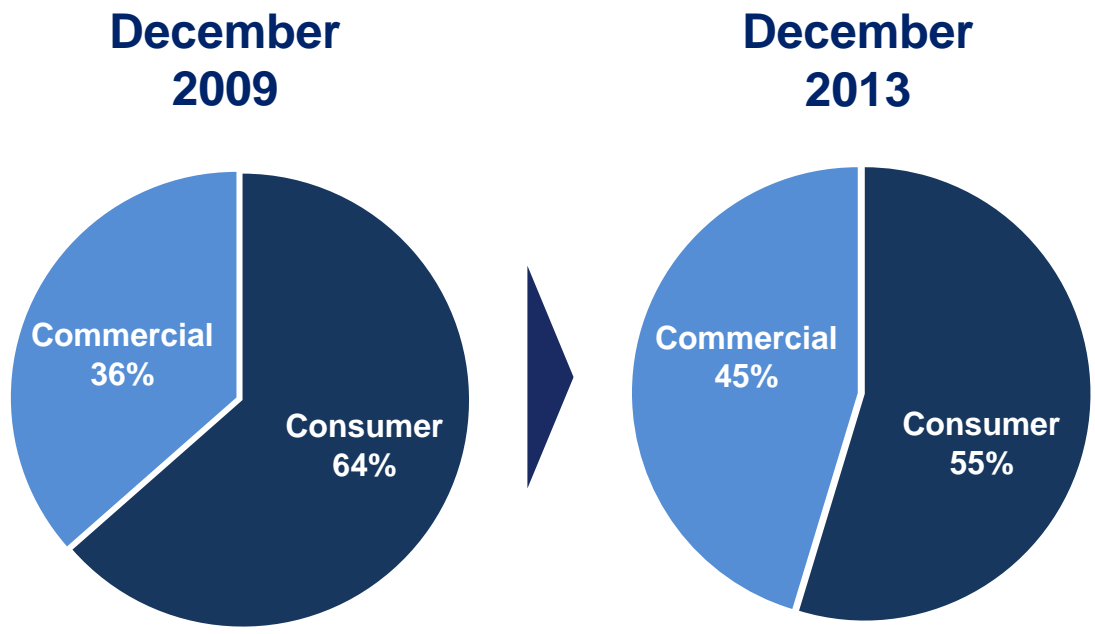
...with an established presence within our footprint and nationally

	Dimension	Rank
National	Assets (\$122bn)	#13
	Loans (\$87bn)	#12
	Deposits (\$92bn)	#14
	Branches (1,366)	#10
	ATM Network (3,554)	#7
In - Footprint	Deposits (top 5 rank)	8 / 10 markets
	HELOC (top 5 rank)	10 / 10 markets
	Auto (top 5 rank)	7 / 10 markets
	Mortgage (top 5 rank)	1 / 10 markets
	Middle Markets	#5
	Bookrunner Table	#5

- Strong market positions, building out commercial capabilities
- Need to move from franchise with potential to one that consistently delivers
- Intense focus on improving returns

Note: Data includes Illinois branches currently being disposed of (targeting Q2'14). HELOC = Home equity line of credit  
Real GDP and Population data as a percent of total US

**Loan Composition**



**Continued focus on balancing business mix – targeting 50 / 50**

**Consumer Banking:**

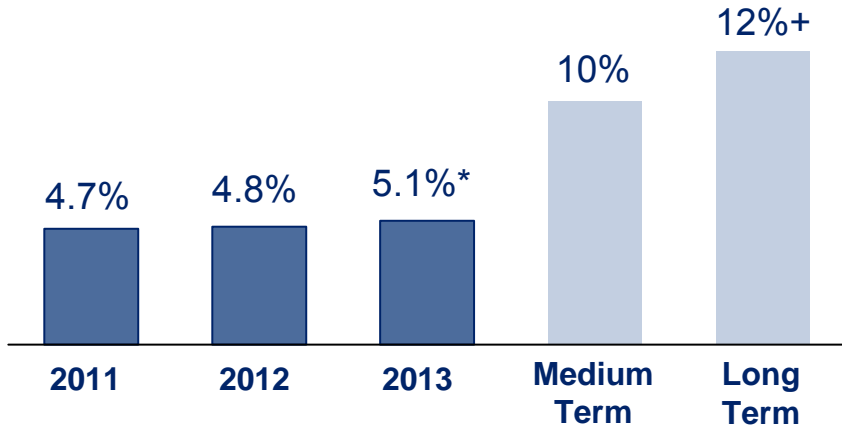
- Retail Banking
- Business Banking (<\$25mm)
- Wealth Management
- Home Lending Solutions
- Auto & Student Lending

.....  
**Commercial Banking:**

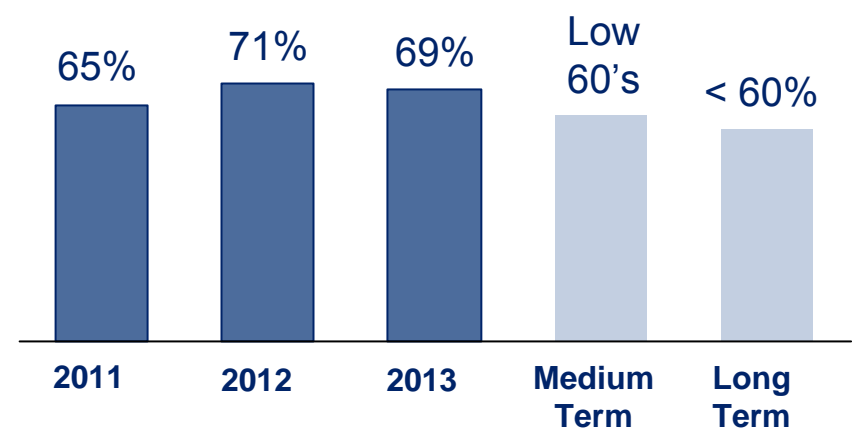
- Middle Market (\$25-\$500mm)
- Mid-Corporate (\$500-\$2bn)
- Specialty (healthcare, technology, franchise finance, leasing, etc.)
- Capital Markets, FX, derivatives, Oppenheimer referral agreement
- Treasury Solutions

# However, financial results need to improve...

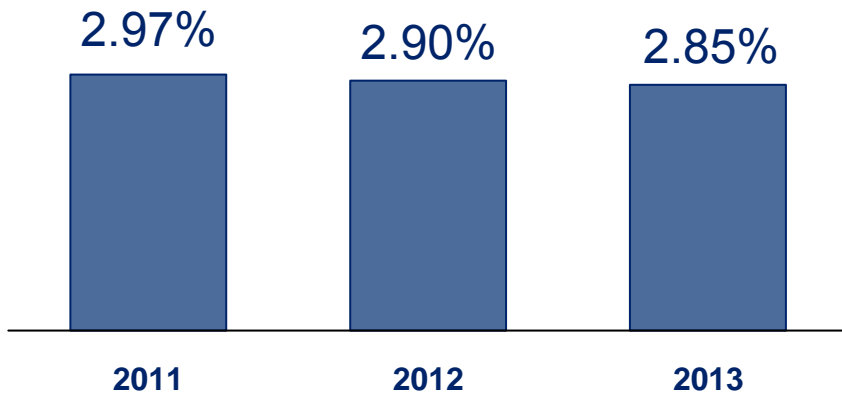
## Operating RoTCE%



## Efficiency Ratio

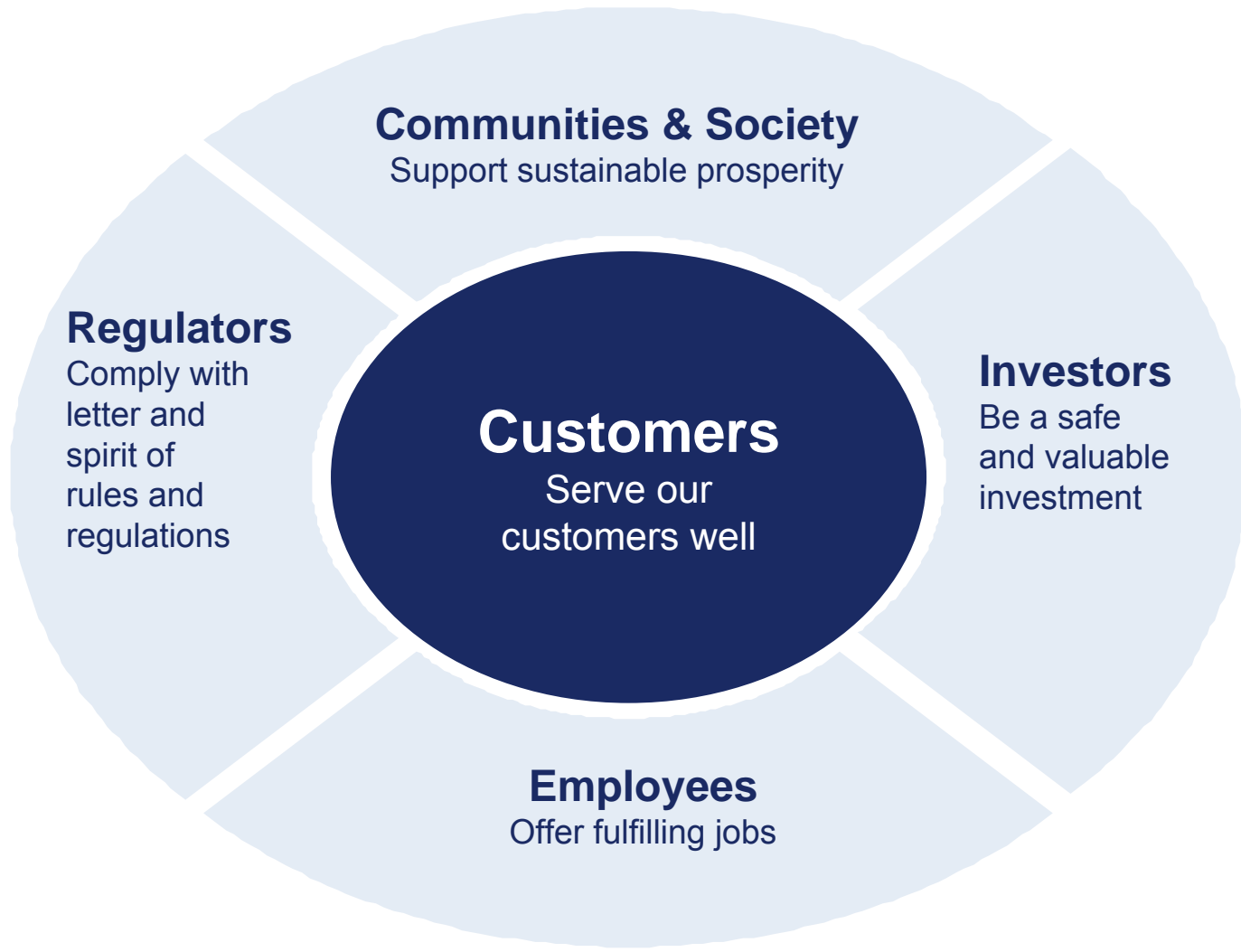


## NIM%



- Sizable gap to peer RoTCE remains
- Lower NIM drives RoTCE gap, reflects asset portfolio mix, risk appetite, loan pricing and hedging
- Income level has been impacted by regulation, rate environment and subdued economy
- High efficiency ratio needs both revenue and expense focus

\* c7% adjusted for excess equity capital and Non Core SBO portfolio in run-off  
Note: US GAAP basis



**Goal is to become a top performing regional bank**

## Strategic Initiatives:

### Realizing the Full Potential of Our Core Business:

**Customers remain at the center of what we do and we continue to focus on delivering a differentiated experience:**

- Citizens prepares employees to deliver a consistent, high-quality experience with every customer interaction
- Substantial investments have been made in colleague training, product capabilities and technology / infrastructure to strengthen the overall value proposition

**Citizens was named one of the “Best Banks in America” in 2013 by Money magazine**

### Initiatives to Enhance Current Strategy:

**Balance Sheet Optimization:** Adjusting asset mix, pricing, and hedging to drive NII

**Business Expansion:** Selective expansion of various lending segments and geographies such as national mid-corporate, specialty verticals, lender / dealer finance, and auto finance

**Credit Risk Appetite:** Playing more in-line with peers as we move to standalone

## Tactical Initiatives:

**Project Top:** “Tapping Our Potential” – designed to make Citizens a more effective and efficient bank, with improvements to both revenue and expenses

**Project Cedar:** Multiple initiatives to add originators and grow assets and revenues

**Chicago Branch Transaction:** Sale of the Chicago-area retail branches, small business operations and select middle market relationships. Gain facilitates reinvestment

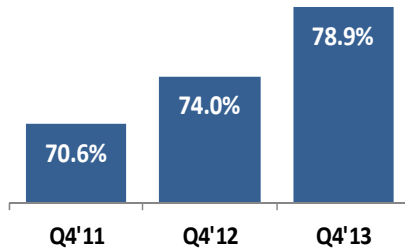
**Capital Optimization:** Continue to optimize the capital base and more closely align with peer banks

We are Citizens helping citizens bank better  
Simple · Clear · Personal

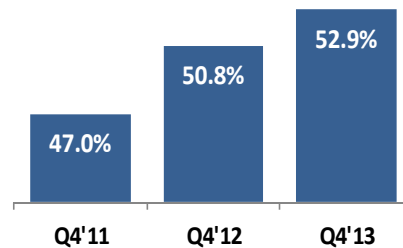
Initiatives are creating more satisfied customers and deeper relationships:

- **Launched new checking product** that will improve consideration and greatly reduce customer complaints
- **Very strong mobile and online capabilities**, with remote deposit capture deploying in mid year
- **Installed over 1600 intelligent deposit machines** to provide customers with the same funds availability experienced in the branch
- **Enhanced sales & service process focused on transparency and improved cross sell**
- **Universal banker model** in the branches

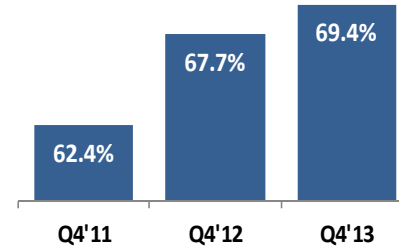
Customer Satisfaction



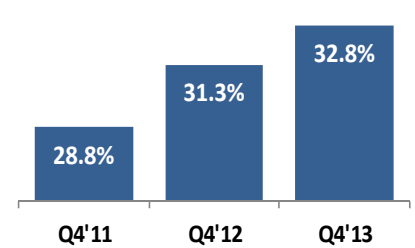
Checking Customers with Online Banking



Checking Customers with Direct Deposit Transactions



Deposit Customers with a Consumer Loan



Source: Burke, score based on footprint states and is a rolling average of the prior two quarters



**June '13: Simplified Logon Screen**



**Nov '13: New iPad App**



**Jan '14: Mobile Pop Money**



**Branch Image Capture(BIC) teller system rolled out to all branches in 2013**

FRONT

**NEW!**

**A BETTER PROCESS, A NEW WAY TO BANK.**

NO PAPER SLIP REQUIRED.

**Citizens Bank**  
GOOD BANKING IS GOOD CITIZENSHIP™

BACK

**MORE CONVENIENT TELLER TRANSACTIONS WITH THE SWIPE OF YOUR CARD**

Citizens Bank is introducing a greener, more convenient way to make deposits and withdrawals. Here's how it works:

**SECURE, PAPERLESS TRANSACTIONS**

- No more paper slips needed for deposits, withdrawals, transfers, etc.
- Confirm transactions with a push of a button with your debit card\* (or sign on the electronic pad with other ID)
- Less paper waste = better for the environment

**DEBIT CARD IDENTIFICATION**

- Identify yourself quickly and securely with the same debit card you use at stores & ATMs
- No need to keep track of account numbers - your card does it for you

**CLEAR RECEIPTS**

- Have your new debit both new and available balance amounts for easy on-the-spot confirmation

Ask us for a quick demo.

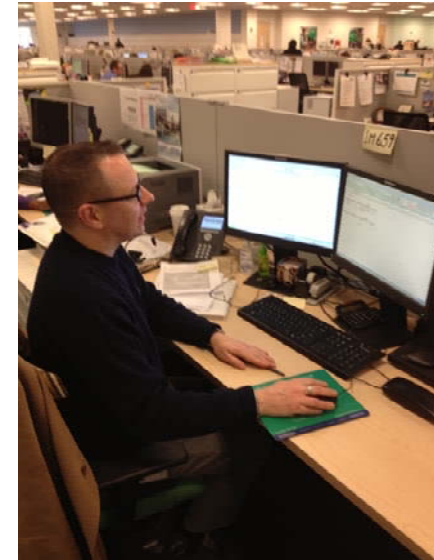
\*This update is ATM only. Paper slips will continue to be available to customers who prefer them. Member FDIC. Citizens Bank is FDIC. Member N.A. and Citizens Bank of Pennsylvania. ©2013 Citizens Financial Group. All rights reserved.

**Citizens Bank**  
GOOD BANKING IS GOOD CITIZENSHIP™

**Completed the IDM rollout to all deposit ATMs in 2013**



**New origination systems for Mortgage and Auto**



**Auto “Originate”**  
Allowing more granular credit policy, loss model, & pricing

**Mortgage “Empower”**  
Automates the workflow & meet the dynamic demands of the industry and regulatory environment. Will be deployed in 2014

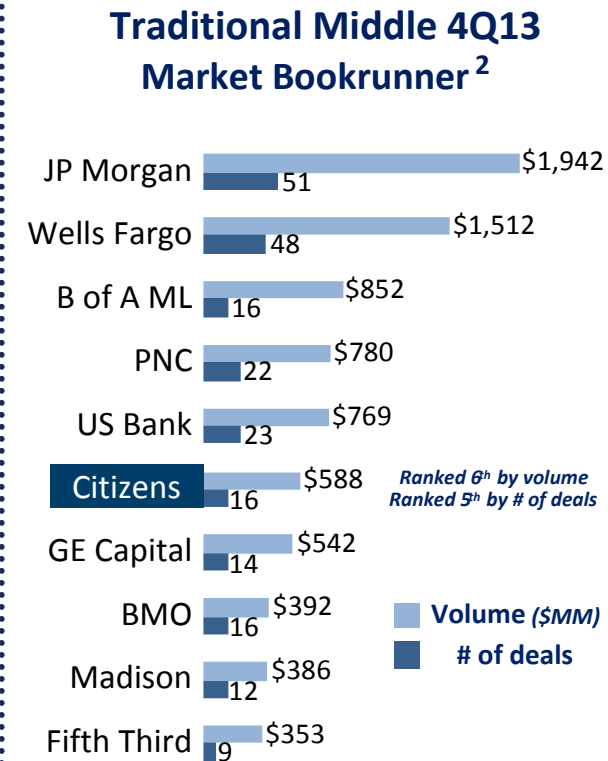
## Improvements in client services & capabilities

- Recent Greenwich Assoc. survey results show an improvement in several key client satisfaction metrics – a trend attributable to our Thought Leadership initiatives
- Citizens moved up in the rankings to #6 in Traditional Middle Market Bookrunner by volume (\$mm) and #5 in Traditional Middle Market Bookrunner by # of transactions, according to Thomson Reuters' 4Q League Table Publication

## Revenue growth initiatives

- Build out /expand Specialty Verticals, MidCorporate, Strategic Client Acquisition and Institutional CRE contiguous initiative
- Enhanced Franchise Finance and Business Capital coverage
- Build out existing Capital Markets capabilities in order to win more lead transactions and gain flexibility to support future opportunities
- Increase Leveraged Loan capacity to prudently allocate capital to risk/ return profile opportunities and target sponsor relationships with adequate cross-sell and event-driven fee potential

		FY2012	FY2013	Rank vs. Top 4 Competitors
Satisfaction & Loyalty	Overall Client Satisfaction	62%	85%	#1
	Overall <b>Lead Client</b> Satisfaction	72%	94%	#1
	Client Loyalty - Net Promoter	40	47	#1
	Values Long-Term Relationship	71%	98%	#1
Relationship Manger	Overall Capability of RM	76%	96%	#1
	Proactively Provides Advice & Solutions	59%	89%	#1
	Understanding of Your Industry	61%	81%	#2
	Knowledge of Treasury Mgmt. Services	84%	95%	#1
Market Share	Client Penetration	10%	10%	#5
	Lead Relationships as a % of Clients	53%	54%	#3



<sup>1</sup> Source: Greenwich Assoc. Market Tracking Program (RBS Citizens-Footprint \$25-500MM-FY 2013 – Core; Top 4 competitors include: B of A, JPM, Wells & PNC

<sup>2</sup> Source: Thomson Reuters' 4Q13 League Tables (December 2013)

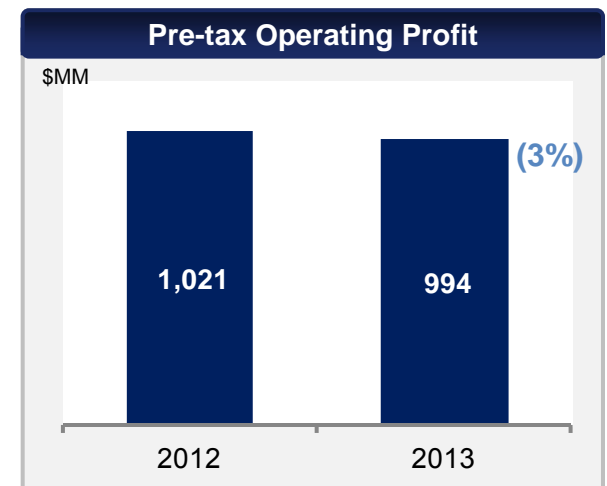
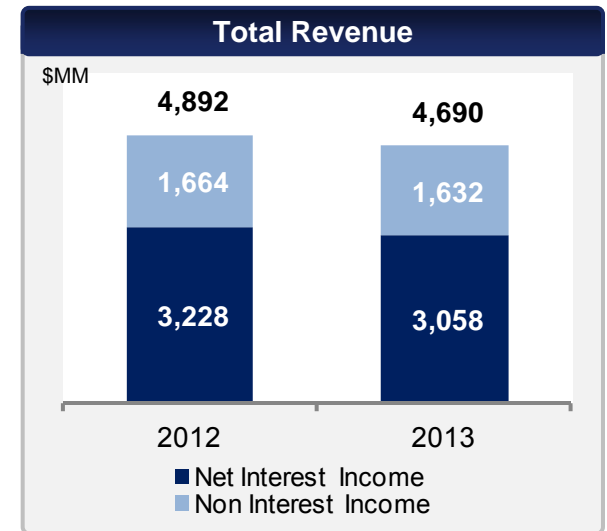
# RBS Citizens Barclays Presentation

John Fawcett, Chief Financial Officer

March 7, 2014

US GAAP \$MM

	FY 13 Actual	FY 12 Actual	B/(W) vs. Prior Year	
			\$	%
<b>Total Revenue</b>	4,690	4,892	(202)	(4%)
<b>Total Expenses</b>	(3,217)	(3,458)	241	7%
Provisions for Loan Loss	(479)	(413)	(66)	(16%)
<b>Operating Profit</b>	994	1,021	(27)	(3%)
<b>Pretax</b>	967	1,023	(56)	(5%)
<b>Net Income (Loss)</b>	<b>\$ 654</b>	<b>\$ 643</b>	<b>\$ 11</b>	<b>2%</b>
<b>Average Balance Sheet (\$BN)</b>			<b>Inc/(Dec) vs. Prior Year</b>	
Loans <sup>1</sup>	85.8	87.5	(1.7)	(2%)
Customer Deposits <sup>2</sup>	93.3	93.4	(0.0)	(0%)
Investments <sup>3</sup>	17.9	20.4	(2.5)	(12%)
Interest Earning Assets	107.1	111.1	(4.0)	(4%)
Loans <sup>1</sup> to Deposits Ratio	92%	94%	(2%)	
RWA (Avg)	94.0	98.4	(4.4)	(4%)
<b>Performance Metrics</b>				
Net Interest Margin	2.85%	2.90%	(5bps)	
Cost to Income	69%	71%	(2%)	
ROTCE	4.9%	4.9%	0.0%	
Operating ROTCE <sup>4</sup>	5.1%	4.8%	30bps	
Employees	18,795	18,947	(152)	(1%)

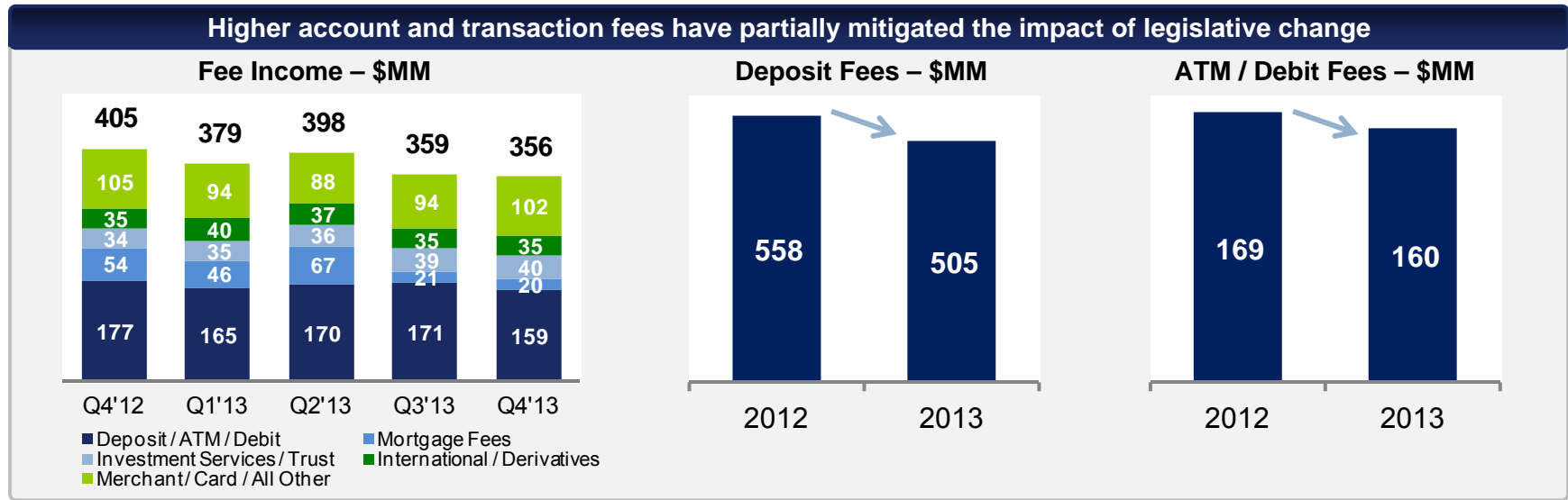
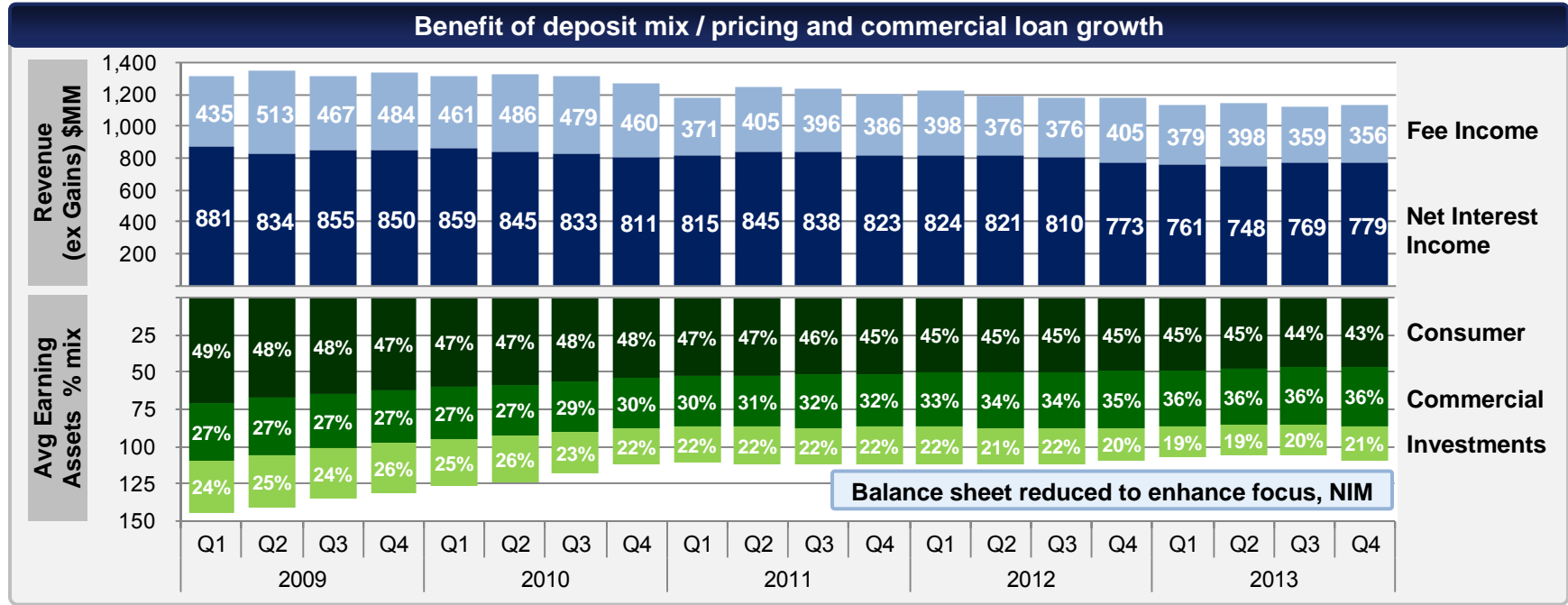


Note: FY '13 does not include goodwill impairment (pretax of \$4,435MM, net of tax \$4,080MM)

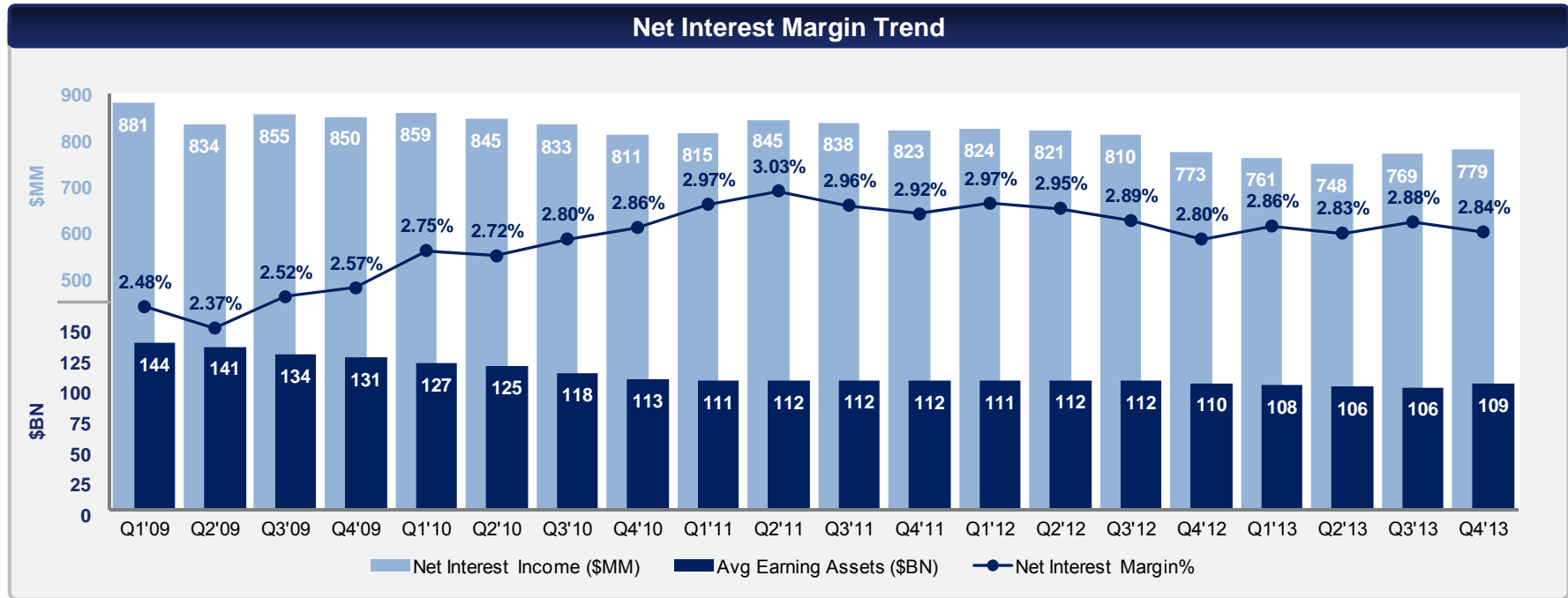
1) Loans includes loans held for sale 2) Customer Deposits excludes repos 3) Investments: available for sale (AFS) + held to maturity (HTM) 4) Excludes non operating expenses. Normalizing for peer equity capitalization and excluding Non Core assets, adds approximately ~200bps to returns.

Results reported on a US GAAP CFG legal entity basis to allow comparability with peers. RBS Group reported results were for US Retail and Commercial on an IFRS basis

US GAAP



US GAAP



- NIM compression across the industry driven by:
  - Persistent low rate environment
  - Poor reinvestment options
  - Intense competition for lending
- Outlook broadly stable in a difficult environment

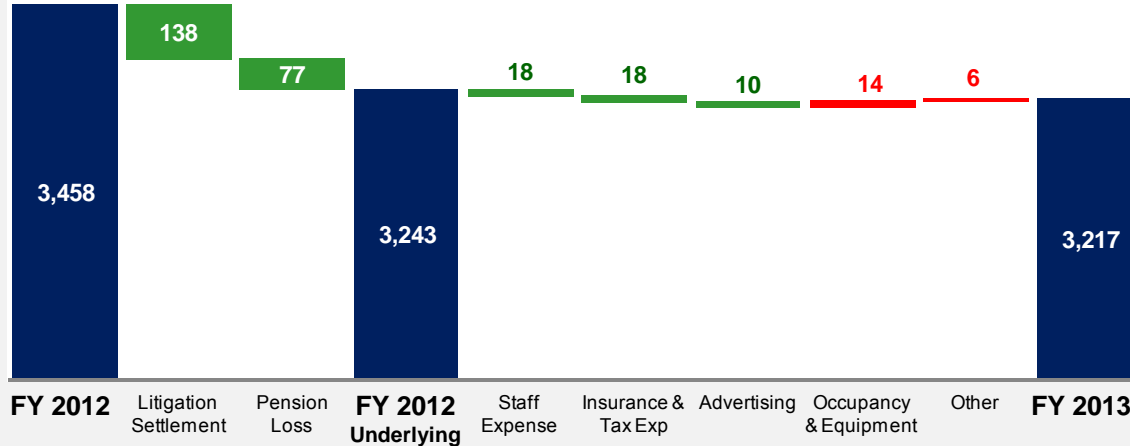
### Peer NIM Ranking<sup>1</sup>

	Q4'12	Q4'13	b/(w) bps
M&T Bank	3.75%	3.59%	(16)
BB&T	3.94%	3.57%	(37)
US Bancorp	3.55%	3.41%	(14)
PNC	3.87%	3.40%	(47)
Fifth Third	3.65%	3.37%	(28)
Regions	3.14%	3.28%	14
<b>Peer Avg</b>	<b>3.46%</b>	<b>3.28%</b>	<b>(18)</b>
SunTrust	3.20%	3.13%	(7)
Comerica	2.87%	2.88%	1
<b>RBS Citizens</b>	<b>2.82%</b>	<b>2.86%</b>	<b>4</b>
KeyCorp	3.13%	2.85%	(28)

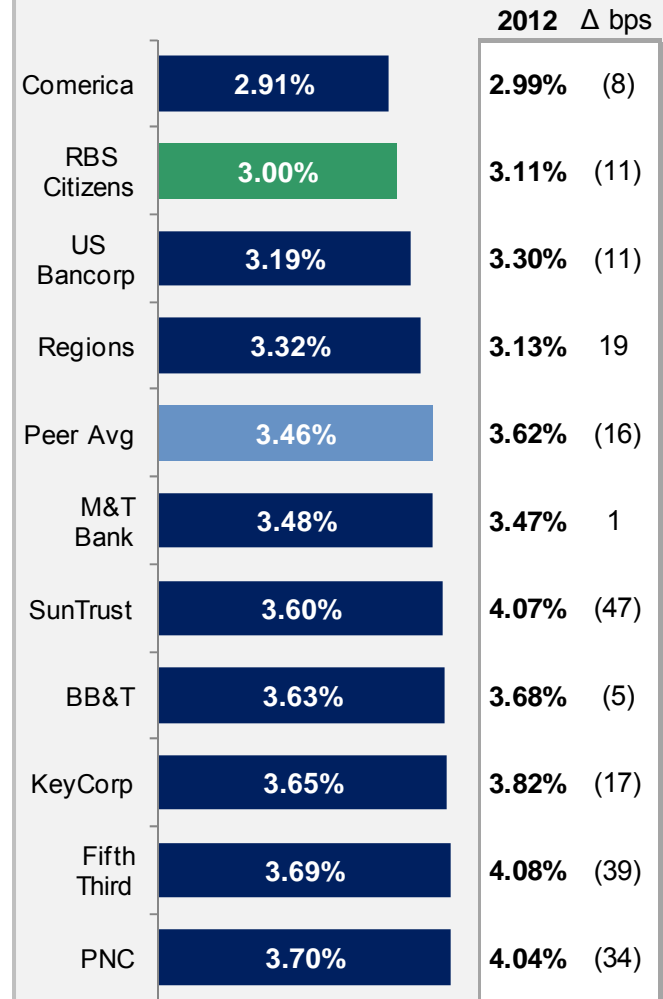
1) SNL Financial, regulatory data, fully taxed equivalent (FTE) using 30/360 day count

US GAAP \$MM

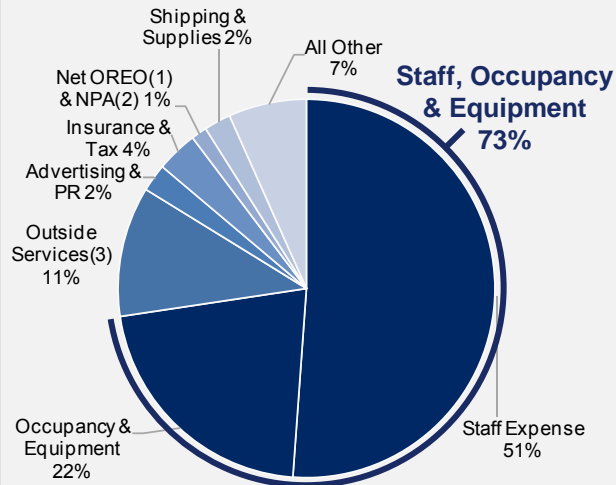
### FY 2013 Expense Walk



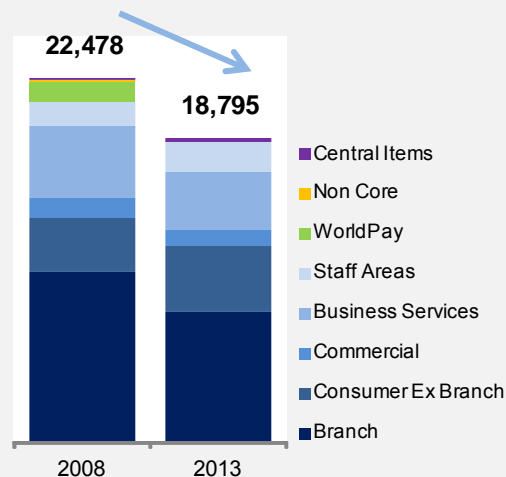
### FY 2013 Expense / Avg Earning Assets



### FY'13 Expense Distribution



### Headcount



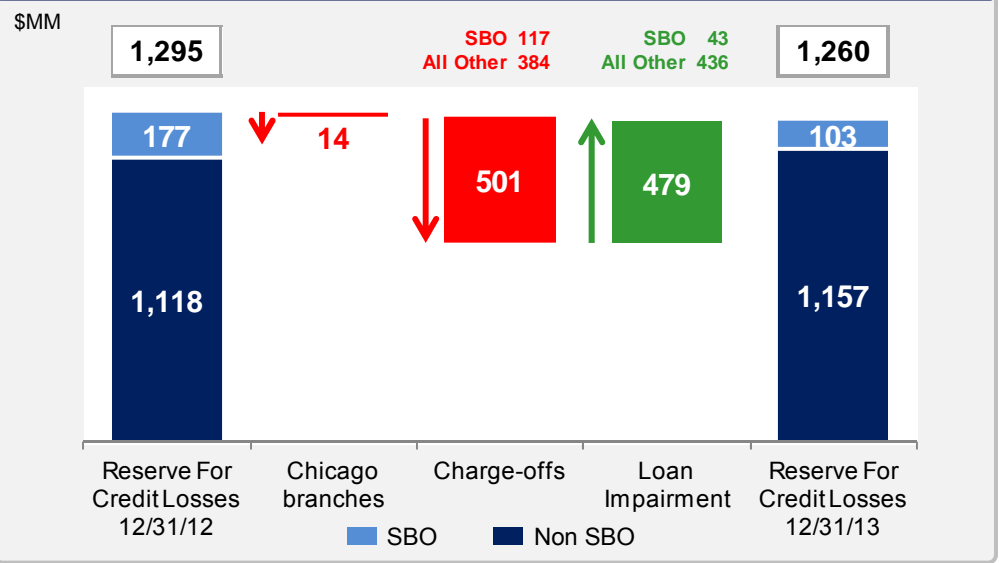
(1) OREO – Other Real Estate Owned  
 (2) NPA – Non Performing Assets  
 (3) Outside Services includes services or other business processes that are outsourced to 3rd party vendors rather than employing staff  
 Peer data SNL Financial SEC reporting

US GAAP \$MM

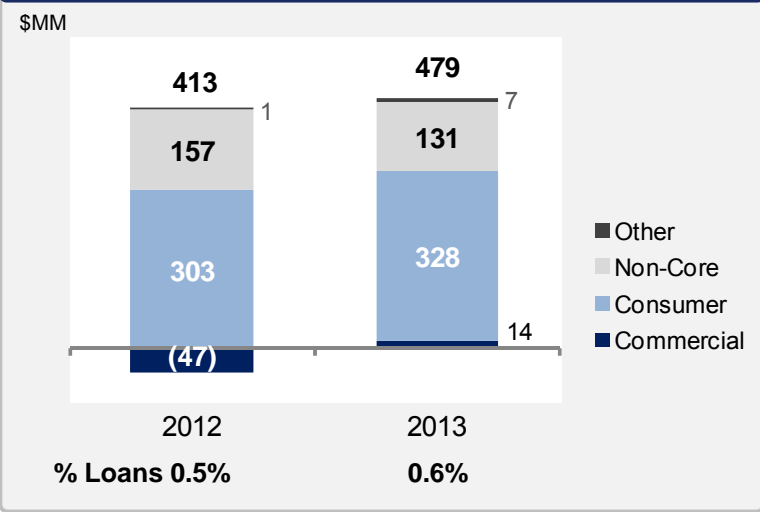
## Summary

- Driven by disciplined underwriting
- Full year net charge-offs decrease from 100bps in 2012 to 59bps in 2013
- NPLs low and stable. 2013 1.65% of loans. (2012 2.15% of loans)
- Retain a prime customer base and credit stance.

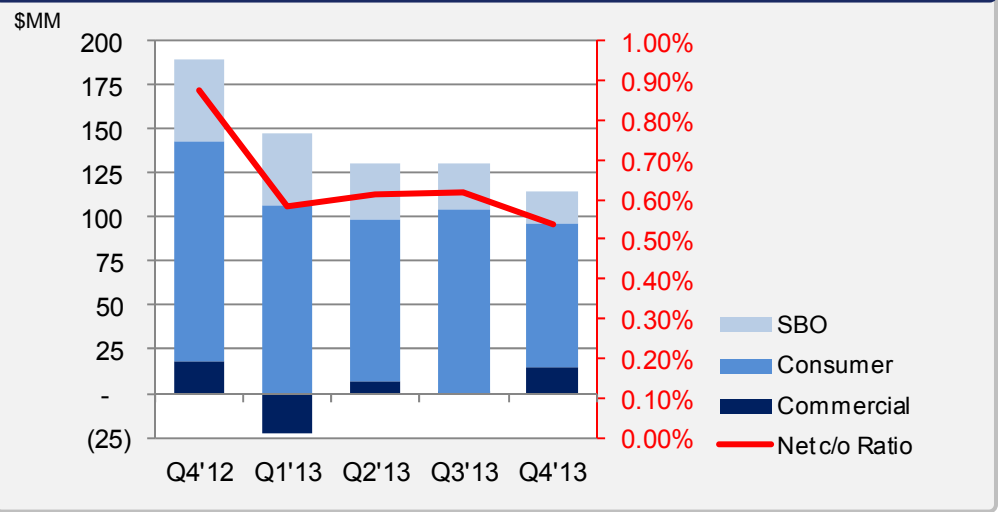
## Allowance Walk



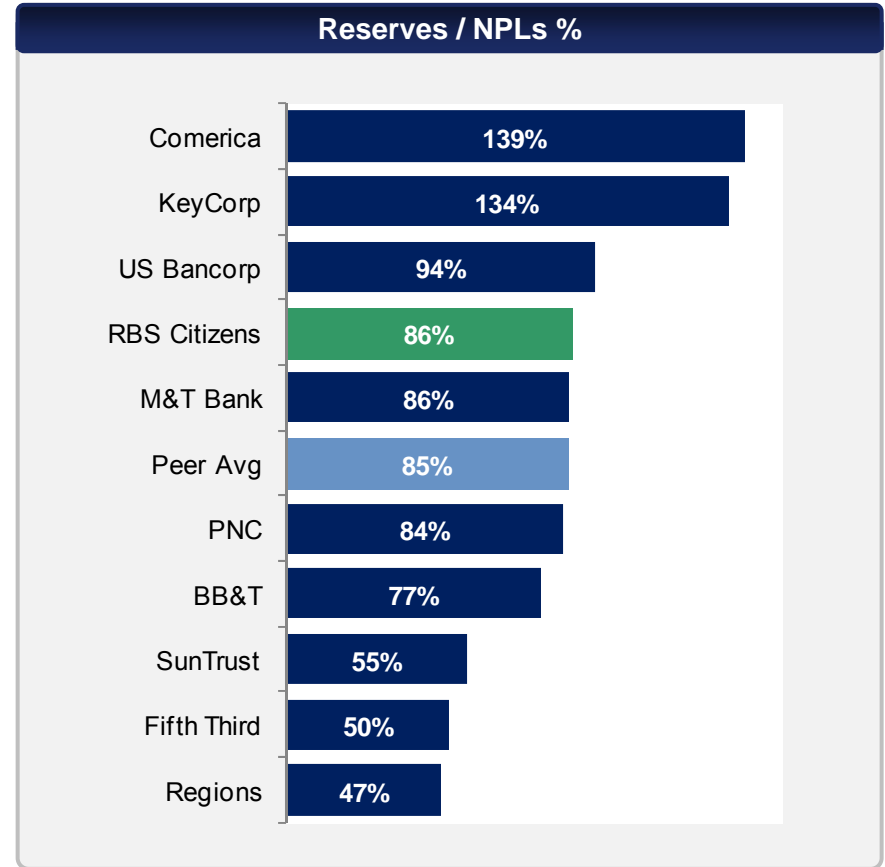
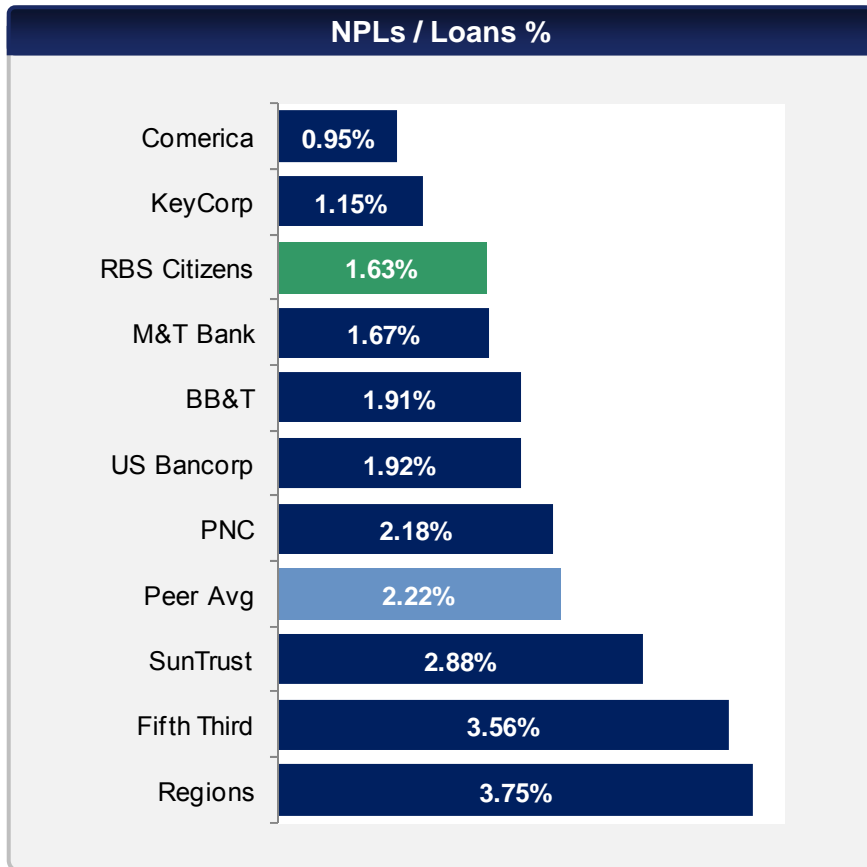
## Loan Provision

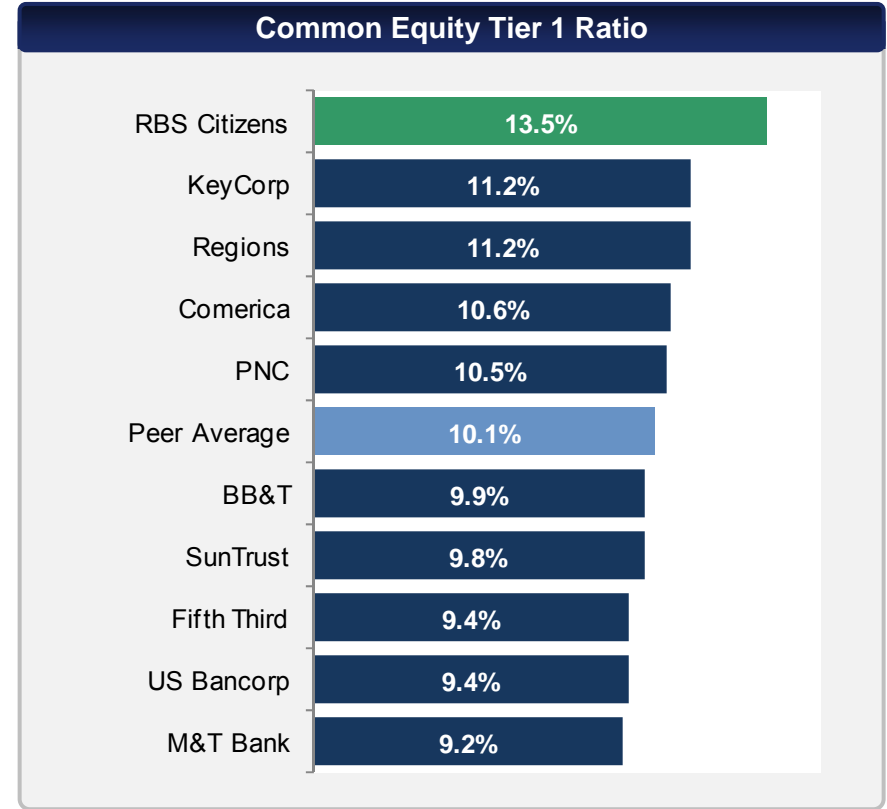
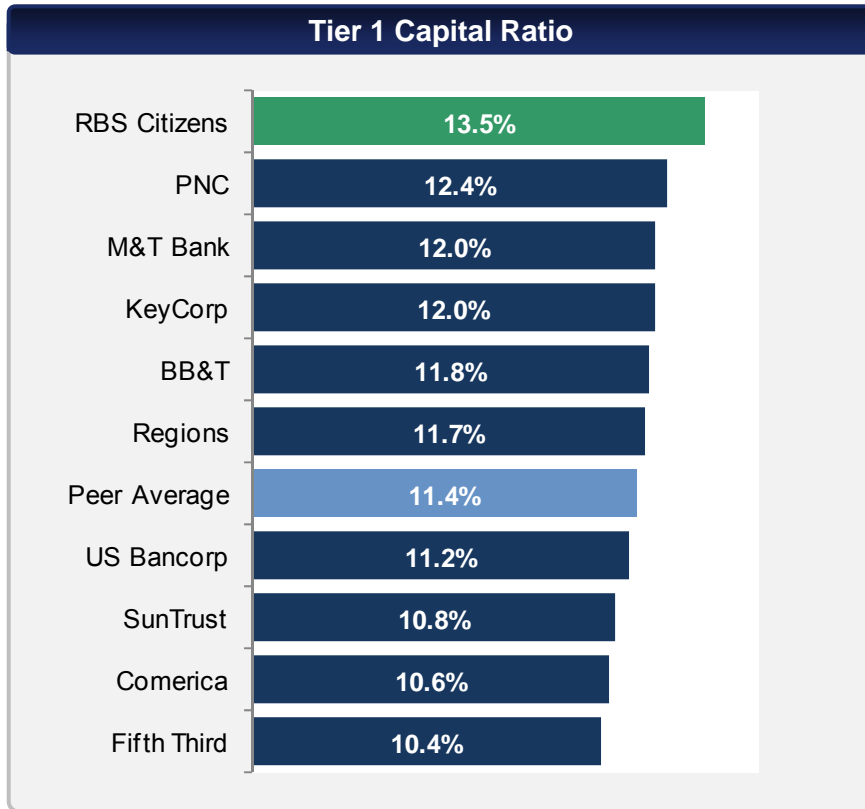


## Net Charge-off's









RBSCFG's 2014 Capital Plan submitted to the Federal Reserve Board (FRB) in early January under the Comprehensive Capital Analysis and Review process, CCAR 2014, requests FRB approval of capital actions executable in Q2 2014 – Q1 2015. The FRB will provide an “object / non-object” decision by the end of March.

- Common dividends paid to RBS in 2013 totaled \$185MM
- Debt for equity swap of \$1BN to RBS in 2013
- Estimated FY2013 Basel III common equity tier 1 ratio of 13.1%

**Expect to continue to move towards a more efficient capital structure**

# Conclusion

Bruce Van Saun, Chief Executive Officer

March 7, 2014

## A compelling franchise

- 10<sup>th</sup> largest branch network in the US with extensive ATM, online, and mobile capabilities; well established franchise in core markets
- Strong, clean balance sheet with good asset quality and capital ratios
- Good balance, with growing and profitable commercial business
- Experienced and talented leadership team embedded

## Focused delivery on strategic priorities

- Maximize the full potential of our core business; offer differentiated customer experience
- Grow our balance sheet and improve our asset mix and yield
- Continue to build out our commercial and capital markets capabilities
- Execute on several tactical initiatives including “Project Top”, “Project Cedar”, Chicago branch transaction, and capital optimization

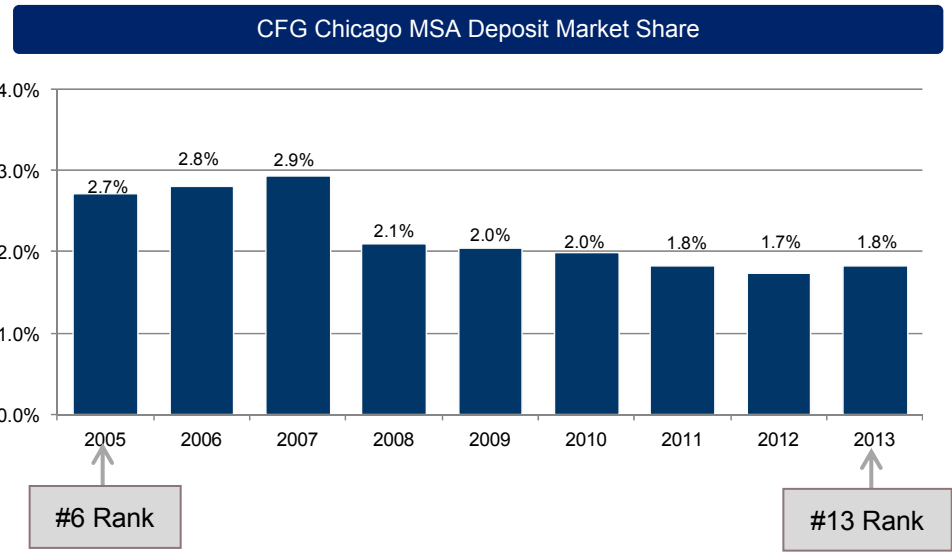
## Attractive targeted returns

- Building pathway to delivering 10%+ RoTCE in the medium term
- Target strong cash and capital generation



# Appendix

- Definitive agreement entered into with U.S. Bancorp in January to sell the Chicago-area branches, small business operations and select middle market relationships
  - Anticipated to close mid-2014
- CFG will maintain a presence in Chicago through its commercial business lines and several consumer business lines not included in the sale (i.e. mortgage, student, auto)
- Transaction Specifications:
  - 94 branches
  - 6% deposit premium
  - \$5.3bn of deposits
  - \$1.1bn of loans



Source: SNL Financial.

	IFRS									GAAP vs. IFRS	GAAP Total CFG
	External US R&C Core	Replace "Group Alloc" with Internal	Internal US R&C Core	US R&C Non Core	US R&C Total	International Banking	Business Services (Offshore)	Central Items	Total CFG		
Net Interest Income	2,960		2,960	114	3,074	-	-	(0)	3,074	(16)	3,058
Treasury Allocation	38	(38)									
Non Interest Income	1,679		1,679	9	1,688	-	-	1	1,689	(57)	1,632
<b>Total Income</b>	<b>4,677</b>	<b>(38)</b>	<b>4,639</b>	<b>123</b>	<b>4,762</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>4,763</b>	<b>(73)</b>	<b>4,690</b>
Total Direct Expense	(3,188)		(3,188)	(34)	(3,222)	(0)	(8)	(60)	(3,290)	74	(3,217)
Business Services Allocations	(81)	81									
Center Allocations	(152)	152									
Internal CFG Allocations		(33)	(33)	(22)	(56)	-	10	46	0	0	0
<b>Total Costs</b>	<b>(3,422)</b>	<b>200</b>	<b>(3,221)</b>	<b>(57)</b>	<b>(3,278)</b>	<b>(0)</b>	<b>2</b>	<b>(14)</b>	<b>(3,290)</b>	<b>74</b>	<b>(3,217)</b>
Operating Profit Before Impairment	1,256	162	1,418	66	1,484	(0)	2	(13)	1,473	1	1,473
Impairment Losses	(244)		(244)	(243)	(488)	-	-	-	(488)	8	(479)
Operating Profit	1,012	162	1,174	(177)	997	(0)	2	(13)	985	8	994
Amortization / Intangibles / One Time Costs			3	-	3	-	-	(1)	2	(4,464)	(4,462)
Pretax			1,177	(177)	1,000	(0)	2	(14)	987	(4,456)	(3,468)
Income tax			(387)	62	(325)	0	(1)	5	(320)	363	42
<b>Net Income</b>			<b>790</b>	<b>(115)</b>	<b>675</b>	<b>(0)</b>	<b>1</b>	<b>(9)</b>	<b>667</b>	<b>(4,093)</b>	<b>(3,426)</b>
ROE (10% RWAs - based on operating profit tax effected)	7.2%		8.3%	(28.5%)	6.8%	NM	NM	NM	6.7%		
ROTCE (excludes goodwill impairment)											4.9%