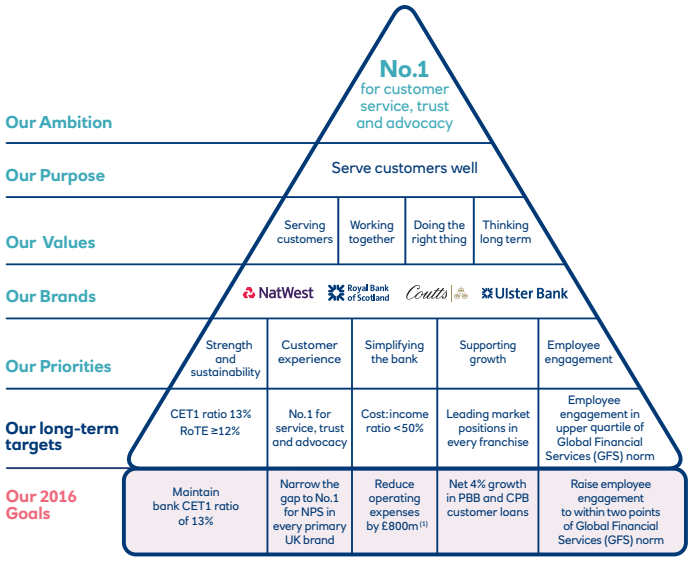
Investor Factbook

05/08/16

Our messages

- We maintain strong positions in our target markets, supported by product and service improvements
- The fundamentals of our Plan remain unchanged. However, we are now operating in a more uncertain environment
- Progress against our Plan has made us more resilient to deal with this uncertainty
- Our capital, liquidity and funding positions give us capacity to lend
- Our core bank continued to deliver solid results in Q2
- Addressing conduct and litigation issues as quickly and prudently as we can

Our blueprint for lasting success



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

Strong franchises with clear strategies

	UK PBB	Commercial Banking	RBS International
Invest to grow	20% RWAs Adj. ROE: 24%	41% RWAs Adj. ROE: 7%	5% RWAs Adj. ROE: 16%
Actions	• Clear customer segment strategies, leveraging products, e.g. Reward • Digital transformation, improving customer experience	• Accelerate simplification and product rationalisation • Strong digital investment • Enhance CIB connectivity	• Grow domestic market share (e.g. Jersey, Guernsey, Isle of Man & Gibraltar) • Open Luxembourg & London branch to broaden customer offering

	Ulster Bank RoI	Private Banking	CIB
Reposition for returns	11% RWAs Adj. ROE: 9%	4% RWAs Adj. ROE: 10%	19% RWAs Adj. ROE: 4%
Actions	• New CEO to drive strong and profitable franchise • Cost reduction • Increase mortgage market penetration • Increase capital efficiency	• New CEO to drive strong and profitable franchise • Cost reduction • Develop referrals with Commercial • Focus on balance sheet and AUM growth	• Continue cost reduction • Stabilisation of income • Deepen relationships with Commercial

Adjusted return on equity for the quarter ending 30 June 2016

Note: This factbook is only a snapshot, for full details see www.rbs.com/results

Building long term shareholder value

Phase 1 – 2014	Phase 2 – 2015/16	Phase 3 – 2017 onward
Building financial strength	Improve our core businesses and deal with Citizens, Capital Resolution, and Williams & Glyn	Becoming Number 1
• 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	• Accelerate the transformation of our core businesses • Achieve material RWA reduction from our Capital Resolution exit • Address other material remaining issues	• Cement customer-centric positioning – #1 for customer service, trust and advocacy by 2020 • Achieve attractive, balanced and sustainable financial returns – target 12+% RoTE • Discussions around resumption of dividends / buy-backs(1) • Pay out surplus capital above 13% CET1 ratio subject to PRA approval(1)

(1) Earliest possible timing is likely to be after 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 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.

Key financial & business highlights

Simplified and streamlined

	Property # London properties	Structure # subsidiaries	Products # front book	Countries # CPB and CIB countries of active operation
2013	11	1,107	416(2)	38
	↓ 36%	↓ 40%	↓ 19%	↓ 66%
H1 2016	7(1)	666	339	13
Target	5	~500	<300	13

(1) Excluding property occupied by Williams & Glyn

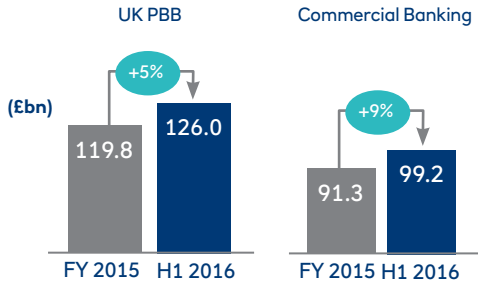
(2) FY 2014

Digital transformation

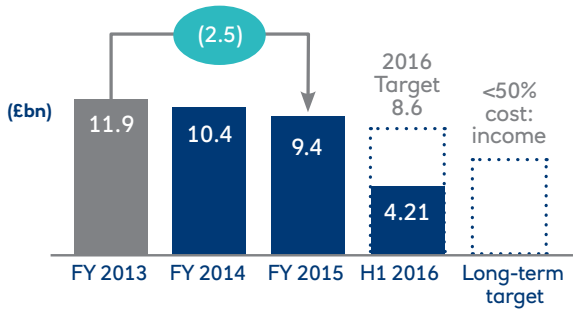
Customers are changing the way they do business with us:

- 4.1 million active personal mobile users, up 25% in one year
- 37% of logins to our app are now biometric
- Customers transferred money using our app six times per second during H1 2016
- 69,000 unsecured products applied for via mobile app in H1 2016

Strong H1 2016 growth in net customer loans

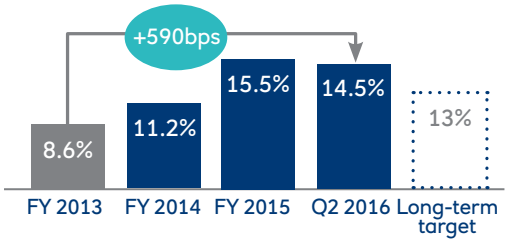


Lowered costs by >£2.5bn over the last 2.5 years (1)

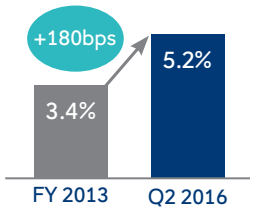


Improved capital strength

CET1 capital ratio



Stronger leverage ratio



(1) Adjusted operating expenses excluding litigation and conduct costs, restructuring costs, write down of goodwill and other intangible assets and the operating costs of Williams & Glyn.

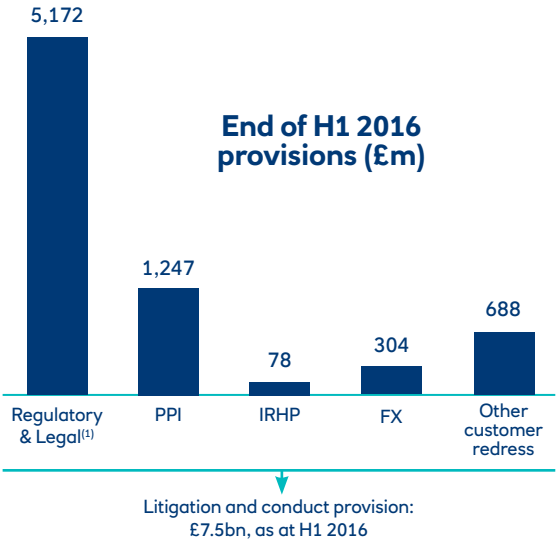
Our business profile

Q2 2016	Core franchises							Total other				Total RBS
(£bn)	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Total Core Franchises	Capital Resolution	W&G	Central items & other[1]	Total Other	
Adj. Income[2]	1.3	0.1	0.8	0.2	0.1	0.4	3.0*	(0.4)	0.2	(0.1)	(0.3)	2.7*
Adj. Operating expenses[3]	(0.8)	(0.1)	(0.5)	(0.1)	(0.0)	(0.3)	(1.8)	(0.2)	(0.1)	0.3	(0.0)	(1.8)
Impairment (losses) / releases	(0.0)	0.0	(0.1)	-	(0.0)	-	(0.1)	(0.1)	(0.0)	-	(0.1)	(0.2)
Adj. op. profit[2,3]	0.5	0.1	0.3	0.0	0.1	0.1	1.0*	(0.6)	0.1	0.2	(0.3)	0.7*
Funded Assets	151.2	24.1	146.3	17.7	24.6	125.6	489.5	44.7	24.9	16.5	86.1	575.6
Net L&A to Customers	126.0	18.9	99.2	11.8	8.5	21.6	286.0	19.9	20.3	0.4	40.6	326.6
Customer Deposits	140.4	14.7	96.7	25.4	24.1	8.3	309.6	18.8	23.9	3.5	46.2	355.8
RWAs	37.0	20.9	77.5	8.1	9.6	36.7	189.8	42.3	9.9	3.2	55.4	245.2
Loan:Deposit Ratio	90%	129%	103%	46%	35%	260%	92%	106%	85%	11%	88%	92%
Adj. RoE (%)[2,4]	**24.2%**	**9.0%**	**6.6%**	**9.9%**	**15.7%**	**3.5%**	**11.0%**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**3.2%**
Adj. Cost:Income ratio (%)[2,3]	58%	67%	59%	72%	35%	76%	61%	n.m.	48%	n.m.	n.m.	67%

(1) Central items include unallocated costs and assets which principally comprise volatile items under IFRS. (2) Excluding own credit adjustments, gains/(losses) on redemption of own debt and strategic disposals. (3) Excluding restructuring costs and litigation and conduct costs and goodwill. (4) RBS's CET1 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)

*Totals may not cast due to rounding

Litigation & conduct



(1) Includes Other regulatory provisions and Litigation as per Note 4 of the H1 2016 Interim Results

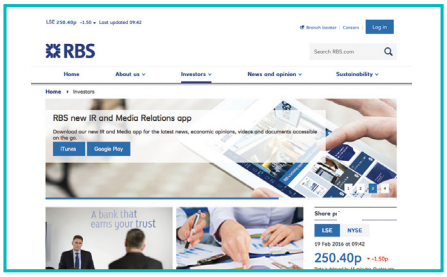
	Comments
US RMBS	• MBS litigation and investigations may require additional provisions in future periods that in aggregate could be materially in excess of the provisions existing as of Q1 2016. • These provisions do not include potential penalties and compensatory damages imposed by US DoJ which may be substantial.
UK 2008 rights issue shareholder litigation	• In order to facilitate any potential early resolution of the litigation, RBS attended a mediation with the claimants on 26-27 July 2016. This did not lead to any settlement of the claims. Further attempts by the parties to resolve the claims are possible but absent any final agreement, these will not impact the court timetable. A provision has been recognised in relation to this matter.
Various UK and Ireland customer redress issues	Includes: • PPI: £450m uplift in the provision in Q2 2016, following the 2/8/16 FCA Consultation Paper, largely driven by the delay to the proposed time-bar on claims. • £92m charge in Ulster Bank ROI principally in respect of an industry-wide examination of tracker mortgages.
FCA SME treatment review	• The Skilled Person has submitted a draft report to the FCA, which RBS has commented on.

Clearing the path for capital distributions

Milestones before seeking board and regulatory approval

- Capital structure normalised (final DAS dividend paid in Q1 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 BoE stress test (including Individual Capital Guidance hurdle) and operating within capital risk appetite

Contacts



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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 economic, regulatory and political uncertainty arising from the majority vote to leave in the referendum on the UK's membership in the European Union and the revived political uncertainty regarding Scottish independence; 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.

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