

H1 2015 Results

Fixed Income Investor Update

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John Cummins, Treasurer

30 July 2015

Ewen Stevenson

Chief Financial Officer

Three areas of management focus

1. Building a strong Go-Forward Bank
2. Accelerating the run-down of the Exit Bank
3. Addressing outstanding conduct / litigation and further strengthening capital / balance sheet resilience

H1 / Q2 results demonstrate solid further progress across all three fronts

Credit story rapidly improving

- Robust liquidity, limited funding needs
- Core capital up 370bps in the last six quarters
- Accelerated de-risking across various portfolios

Inaugural AT1 ⁽¹⁾

- SEC registered USD CRD IV-compliant AT1
- 7% CET1 trigger with equity conversion

⁽¹⁾ Issuance subject to market conditions.

Our Go-Forward Bank

Building on our franchise strengths



Franchise Position		H1 2015 Illustrative Go-Forward Bank	
<u>UK</u>			<u>£bn</u>
Personal Banking	#2 ⁽¹⁾	RWAs	184
Private Banking	#1 ⁽²⁾	Revenues	6.0
Business Banking	#1 ⁽³⁾	Adj. costs ⁽⁷⁾	3.4
Commercial	#1 ⁽⁴⁾	Adj. RoE ⁽⁷⁾	14%
Corporates / £	#1 – #3 ⁽⁵⁾	Target cost / income	<50%
Republic of Ireland	#3 ⁽⁶⁾		

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

Good progress against 2015 goals



Priorities	2015 Goals	H1 Progress
Strength & sustainability	<ul style="list-style-type: none"> RWAs reduced to below £300bn RCR exit substantially complete Citizens exit AT1 issuance (£2bn) 	<ul style="list-style-type: none"> £326bn Funded assets down 78% since initial pool of assets identified⁽¹⁾ Further sell-down priced in late July 2015⁽²⁾ AT1 issuance to be launched shortly⁽³⁾
Customer experience	<ul style="list-style-type: none"> Net Promoter Score (NPS) improvement in every UK customer franchise 	<ul style="list-style-type: none"> Improvements in NatWest Personal, NatWest Business, RBS Business⁽⁴⁾ Ulster Bank Personal (Northern Ireland)⁽⁵⁾
Simplifying the bank	<ul style="list-style-type: none"> Cost reduction of £800m⁽⁶⁾ 	<ul style="list-style-type: none"> Over £700m annualised cost savings achieved in H1
Supporting growth	<ul style="list-style-type: none"> Lending growth in strategic segments in line with nominal UK GDP growth 	<ul style="list-style-type: none"> 2% annualised growth in UK PBB and Commercial Banking
Employee engagement	<ul style="list-style-type: none"> Raise employee engagement index to within 8% of Global Financial Services norm 	<ul style="list-style-type: none"> Progress report in Q4 2015

⁽¹⁾ Funded assets are down 71% since 1 Jan 2014. ⁽²⁾ Following the Offering and the directed buy back, RBSG will continue to hold up to 23.4% of CFG's shares of common stock (20.9% assuming exercise of the entire over-allotment option). ⁽³⁾ Issuance subject to market conditions. ⁽⁴⁾ Further details in slide 33 of H1 2015 Results Presentation ⁽⁵⁾ Source: Internal research – Coyne Research June 15 based on 4 quarter roll with latest base size 365. ⁽⁶⁾ Excludes restructuring, conduct, litigation and intangible write-off charges as well as the operating costs of Citizens Financial Group and Williams & Glyn.

Illustrative Go-Forward Bank and Exit Bank profile



	Illustrative Go-Forward Bank profile (Q2 2015)					Illustrative Exit Bank (Q2 2015)							Total RBS
(£bn)	PBB ⁽¹⁾	CPB ⁽²⁾	CIB Go-Forward ⁽³⁾	Other Go-Forward ⁽⁴⁾	Total Go-Forward	Citizens	CIB Capital Resolution ⁽³⁾	RCR	W&G ⁽⁵⁾	Int'l Private Banking	Other Investments	Total Exit Group	
Income	1.5	1.1	0.4	0.1	3.1	0.8	0.1	0.1	0.2	0.1	-	1.3	4.4
Adj. costs ⁽⁶⁾	(0.9)	(0.5)	(0.4)	0.1	(1.7)	(0.5)	(0.3)	(0.1)	(0.1)	-	-	(1.0)	(2.7)
Impairment releases	-	-	-	-	-	(0.1)	-	0.2	-	-	-	0.1	0.1
Adj. op. profit ⁽⁶⁾	0.6	0.6	-	0.2	1.4	0.2	(0.2)	0.2	0.1	0.1	-	0.4	1.8
Funded Assets	142	107	149	105	503	83	62	8	20	5	1	179	682
L&A to customers	129	101	27	2	259	61	31	6	20	3	-	121	380
Customer deposits	147	120	22	2	291	64	27	1	23	7	-	122	413
RWAs	52	75	43	8	178	70	45	14	11	2	6	148	326
Adj. RoE (%) ^(6,7)	29%	13%	nm	nm	16%	7%	nm	nm	nm	9%	10%	5%	11%

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

Exit Bank

Targeting material reduction by Q4 2016



	2015	2016
Citizens	<ul style="list-style-type: none"> Further sell-down priced in late July 2015⁽¹⁾ Targeting full exit by year end 	-
CIB Capital Resolution	<ul style="list-style-type: none"> ≥£25bn target RWA reduction for CIB⁽²⁾ 	<ul style="list-style-type: none"> Further material RWA reduction
RCR	<ul style="list-style-type: none"> Wind-down to ≤ 15% of initial funded assets (£5.7bn) 	<ul style="list-style-type: none"> Stub merged into CIB Capital Resolution
Williams & Glyn	-	<ul style="list-style-type: none"> Targeting IPO by year end 2016
International Private Banking	<ul style="list-style-type: none"> Sale announced Q1 2015 Partial completion in Q4 2015 	<ul style="list-style-type: none"> Full exit during H1 2016

⁽¹⁾ Following the Offering and the directed buy back, RBSG will continue to hold up to 23.4% of CFG's shares of common stock (20.9% assuming exercise of the entire over-allotment option). ⁽²⁾ CIB Division not just Exit Group

Other issues we need to address

Conduct and litigation ⁽¹⁾	Capital resilience	Regulatory / accounting developments
Dealing with legacy issues	Strengthening capital and reducing balance sheet stress volatility	Readying the bank for future developments
<p>Including:</p> <ul style="list-style-type: none"> ■ US RMBS litigation, Governmental and regulatory investigations ■ On-going FX investigations ■ 2008 capital raising class action suit ■ Various UK customer redress issues ■ On-going FCA investigation into GRG Tomlinson report 	<ul style="list-style-type: none"> ■ Intent to launch inaugural AT1 securities shortly subject to market conditions ■ Managing for value the existing T1 / T2 capital stack⁽²⁾ ■ Making final Dividend Access Share payment (£1.18bn) ■ Managing defined benefit pension deficit ■ Improving stress test results ■ Resuming dividends / buybacks⁽³⁾ 	<ul style="list-style-type: none"> ■ Preparing for ring-fencing ■ Enhancing the resolvability of the Bank ■ Preparing for the introduction of IFRS 9

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

US RMBS litigation, Governmental and regulatory investigations



	Comments
Civil Litigation	<ul style="list-style-type: none"> More than 25 lawsuits outstanding involving the issuance of approximately \$45bn (original principal balance) of mortgage-backed securities FHFA (Connecticut) - \$32bn NCUA Cases - \$3.6bn FHLB Cases - \$1.7bn Novastar class action - \$2.4bn Other - \$4.9bn, 24 cases
Department of Justice (“DoJ”)	<ul style="list-style-type: none"> Active investigation continues RBS co-operating
State Attorneys General	<ul style="list-style-type: none"> Investigations by several State Attorneys General and agencies RBS co-operating

Please refer to Note 16 “Litigation, investigations and reviews” in the IMS for further information

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Other issues we need to address

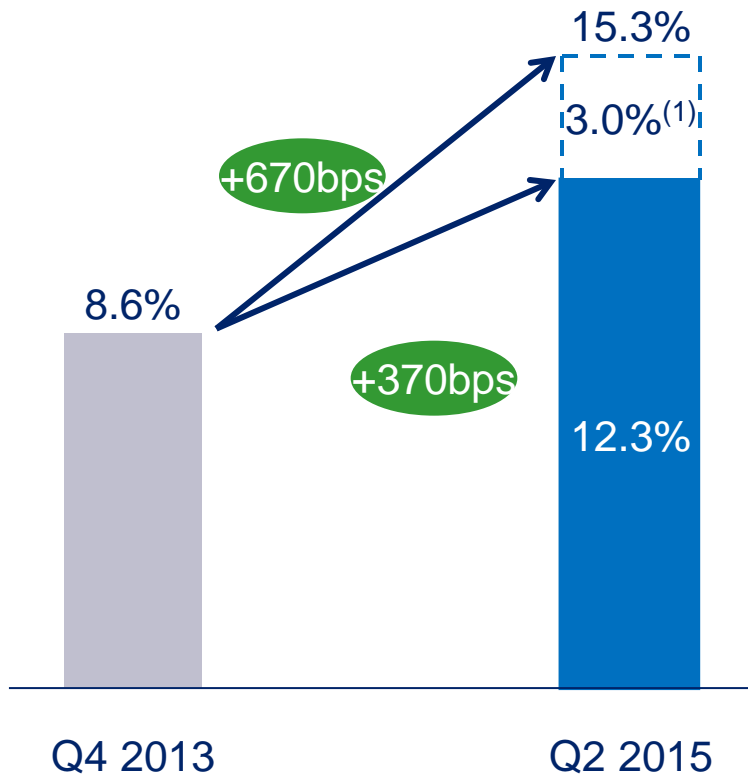
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Improved capital resilience

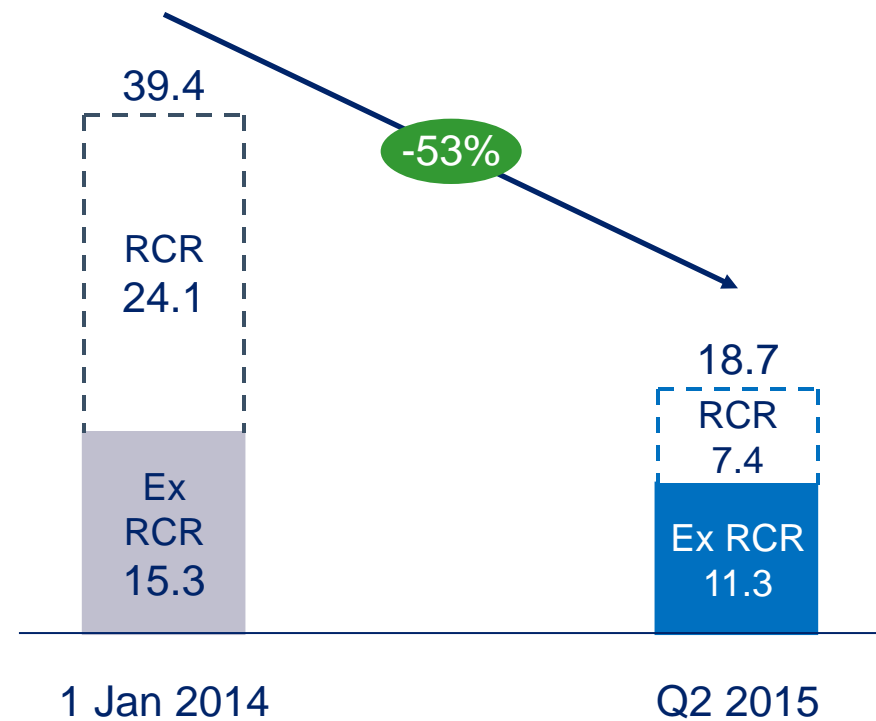
CET1 Capital Ratio: 13% Target

Pro-forma for full Citizens exit and de-consolidation
(40.8% ownership as at 30th June)



Non Performing Loans

Risk Elements In Lending (£bn)



We need to achieve various milestones before we return to capital distributions these include sustained profitability, improved stress test results and resolving our major conduct and litigation issues. As a result and subject to PRA approval, we do not expect in our central planning scenario to be in a position to return to capital distributions until Q1 2017 at the earliest

⁽¹⁾ Pro-forma impact of the full disposal of Citizens at 30 June 2015. Assumes full removal of RWAs excluding operational risk and, for simplicity, no capital gains or losses assumed.

Other issues we need to address

Conduct and litigation ⁽¹⁾	Capital resilience	Regulatory / accounting developments
Dealing with legacy issues	Strengthening capital and reducing balance sheet stress volatility	Readying the bank for future developments
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John Cummins

Treasurer

	FY 2014	H1 2015
Loan : deposit ratio ^(1,2)	95%	92%
Short-term wholesale funding ^(1,3)	£28bn	£25bn
Liquidity portfolio	£151bn	£161bn
Liquidity coverage ratio ⁽⁴⁾	112%	117%
Net stable funding ratio ⁽⁵⁾	112%	115%
Stressed outflow coverage ⁽⁶⁾	186%	215%

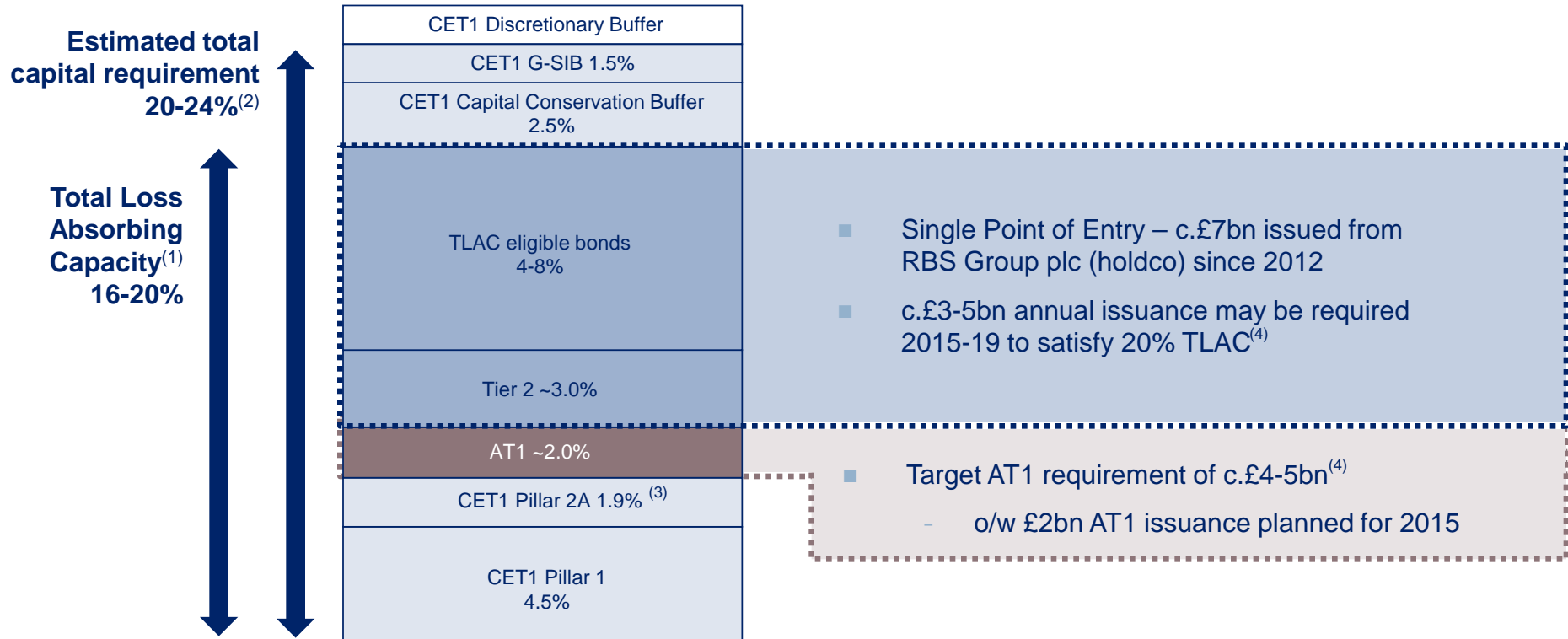
⁽¹⁾ Includes disposal groups, as per the RBS H1 2015 Interim Management Statement. ⁽²⁾ Excludes repurchase agreements and stock lending. ⁽³⁾ Excludes derivative collateral. ⁽⁴⁾ Within the EU, the LCR is due to come into effect from 1 October 2015 on a phased basis, and replace the current PRA regime from this date. RBS monitors the LCR based on its internal interpretations of the EU Delegated Act rules for the implementation of the LCR. Consequently, RBS's ratio may change over time and may not be comparable with those of other financial institutions. ⁽⁵⁾ Pending further guidelines from the EU and the PRA, RBS uses its own interpretation of the proposals from the BCBS recommendations to calculate the NSFR. Consequently RBS's ratio may change over time and may not be comparable with those of other financial institutions. The ratio is due to come into effect from 1 January 2018. ⁽⁶⁾ RBS's liquidity risk appetite is measured by reference to the liquidity portfolio as a percentage of stressed contractual and behavioural outflows under the worst of three severe stress scenarios (a market-wide stress, an idiosyncratic stress and a combination of both) in accordance with PRA guidance.

Estimated future TLAC requirements ⁽¹⁾



Example of potential total loss absorbing capacity (“TLAC”) requirement for RBS

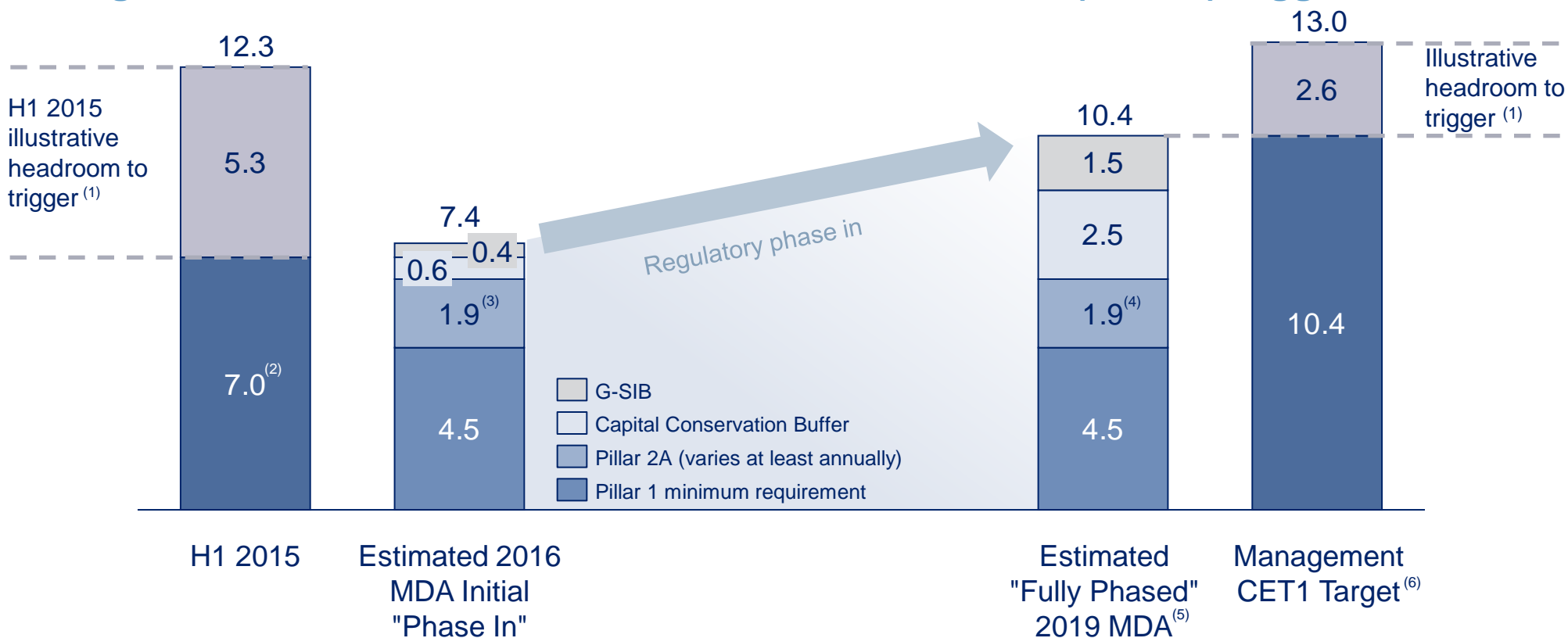
(Assumes Minimum Requirements for Own Funds and Eligible Liabilities (“MREL”) complementary to current TLAC proposals)



⁽¹⁾ TLAC and MREL requirements remain subject to significant uncertainty. RBS is unable to estimate with certainty the impact these rules would have on its overall capital and loss absorption requirements. The final MREL and TLAC rules and any secondary implementing legislation may require RBS to raise materially more capital and loss absorbing debt securities, and may result in existing securities issued by RBS ceasing to count towards its regulatory capital and loss absorbency requirements. ⁽²⁾ Assumes PRA Buffer (Pillar 2B) not being in excess of G-SIB and Capital Conservation Buffer and no material Counter Cyclical Buffer requirement. Both requirements are expected to vary over time. ⁽³⁾ RBS’s Pillar 2A CET1 requirement is 1.9% of RWAs as at end-March 2015. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA consider the bank should hold to meet the overall financial adequacy rule and is subject to change over time including as a result of at least annual assessment and supervisory review process. Pillar 2A requirement held constant for illustration purposes, requirement is expected to vary over time and is subject to at least annual review. This illustration does not reflect the anticipated impact of RBS’s Transformation Plan, including proposed restructuring and balance sheet reduction, which are subject to significant uncertainties. ⁽⁴⁾ Assumes successful implementation and delivery of RBS’s proposed Transformation Plan, including the CIB restructuring and balance sheet risk reduction programmes.

Current assessment of appropriate buffers

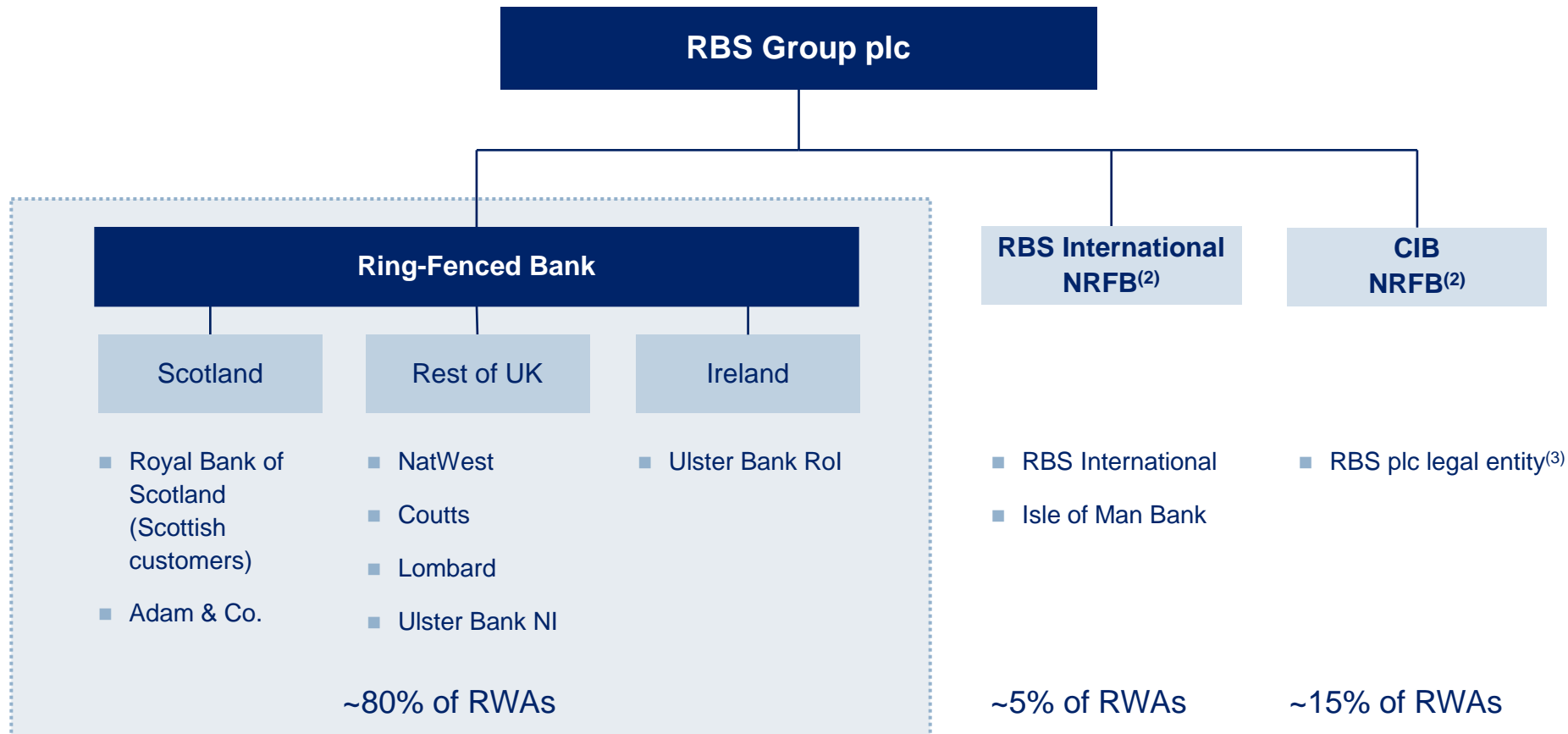
Target CET1 ratio versus maximum distributable amount (“MDA”) trigger, %



⁽¹⁾ Headroom may vary over time and may be less in future. ⁽²⁾ Minimum 7% CET1 requirement from 1 January 2014 based on an end-point CRR definition, as set out in PRA's supervisory statement SS3/13. The Contingent Capital Notes Conversion Trigger Event is also set at CET1 <7%. ⁽³⁾ RBS's Pillar 2A CET1 requirement is 1.9% of RWAs as at end-June 2015. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA considers the bank should hold to meet the overall financial adequacy rule and is subject to change over time including as a result of at least annual assessment and supervisory review process. ⁽⁴⁾ Pillar 2A requirement held constant over the period presented for illustration purposes, requirement is expected to vary over time and is subject to at least annual review. ⁽⁵⁾ Assumes no material Counter Cyclical Buffer requirement. ⁽⁶⁾ Based on 13% CET1 target during the period of CIB restructuring.

Note: D-SIB and issuance requirements as yet unknown. TLAC and MREL requirements remain subject to significant uncertainty. RBS is unable to estimate with certainty the impact these rules would have on its overall capital and loss absorption requirements. The final MREL and TLAC rules and any secondary implementing legislation may require RBSG to raise materially more capital and loss absorbing debt securities, and may result in existing securities issued by RBS ceasing to count towards its regulatory capital and loss absorbency requirements. Requirements could reduce capital buffers and result in MDA restrictions. This illustration does not reflect the anticipated impact of RBS's Transformation Plan, including proposed restructuring and balance sheet reduction, which are subject to significant uncertainties.

Proposed future ICB structure ⁽¹⁾



⁽¹⁾ The proposed future ICB structure comprises part of the preliminary plan submitted to the PRA on 6 January 2015 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.

Some key regulatory issues

2015		2016		2017-19
<p><u>Current</u> Basel (BCBS) consultation on interest rate risk in the banking book</p>	<p><u>September 2015</u> Bank of England consultation on MREL</p>	<p><u>January 2016</u> Implementation of new Pillar 2 framework</p>	<p><u>May 2016</u> FPC publish methodology on systemic risk buffer</p>	<p><u>2017</u> EBA and FPC reviews into leverage ratio calibration</p>
<p><u>Current</u> Basel (BCBS) consulted on changes to calculation of capital floors</p>	<p><u>November 2015</u> FSB to publish revised TLAC principles</p>	<p><u>January 2016</u> Implementation of UK leverage requirements</p>	<p><u>H1 2016</u> Final PRA / FCA rules on ring-fencing proposals</p>	<p><u>2017</u> 'Basel IV' reforms expected to come into force</p>
	<p><u>Q4 2015</u> Bank of England stress test results announced</p>	<p><u>January 2016</u> Implementation of MREL regime</p>	<p><u>Q4 2016</u> EBA stress test results announced</p>	<p><u>January 2019</u> Compliance with TLAC proposals required</p>
	<p><u>H2 2015</u> Second PRA consultation on ring- fencing rules</p>		<p><u>Q4 2016</u> Bank of England stress test results (TBC)</p>	<p><u>January 2019</u> Compliance with UK's ring-fencing reforms required</p>

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Credit story rapidly improving

- Robust liquidity, limited funding needs
- Core capital up 370bps in the last six quarters
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Inaugural AT1 ⁽¹⁾

- SEC registered USD CRD IV-compliant AT1
- 7% CET1 trigger with equity conversion

⁽¹⁾ Issuance subject to market conditions.

Q&A

Appendix

P&L (£m)	Q2 2015	vs. Q1 2015 (%)
Income	4,369	+1%
Operating expenses ⁽¹⁾	(2,697)	(3%)
<i>Restructuring costs</i>	<i>(1,050)</i>	<i>+132%</i>
<i>Litigation & conduct costs</i>	<i>(459)</i>	<i>(46%)</i>
(Impairments) / releases	141	+55%
Operating profit	304	(6%)
Other items	(11)	<i>nm</i>
Attributable profit / (loss)	293	nm
Key metrics		
Net interest margin	2.23%	<i>(3bps)</i>
Impairments as % of L&A	(0.2%)	<i>nm</i>
Return on tangible equity	3%	<i>nm</i>
Adj. return on tangible equity ⁽¹⁾	14%	<i>+9ppts</i>
Cost-income ratio	96%	<i>+1ppts</i>
Adj. cost-income ratio ⁽¹⁾	62%	<i>(2ppts)</i>

Q2 2015 vs. Q1 2015

- Income up 1% Q/Q, benefiting from IFRS volatility offset by the reduced scale of CIB
- NIM 2.23%, down 3bps Q/Q reflecting competitive conditions in domestic markets and a further slight decline in the standard variable rate mortgage book, partially offset by some further small adjustments to deposit pricing
- Operating expenses⁽¹⁾ down 3% Q/Q. On track to deliver £800m of cost reductions over 2015⁽²⁾
- Q2 2015 net impairment releases of £141m, reflecting continuing benign credit conditions and principally reflecting releases on disposal within RCR
- Q2 2015 attributable profit includes:
 - £459m Litigation & conduct costs
 - £1,050m Restructuring Costs, as the pace of restructuring accelerated
 - Net £211m gain reflecting the improved market value of Citizens during Q2

⁽¹⁾ Excluding restructuring and litigation and conduct costs. ⁽²⁾ Excludes restructuring, conduct, litigation and intangible asset write-off charges as well as the operating costs of Citizens Financial Group and Williams and Glyn.

RBS Q2 2015 results – Balance Sheet



(£bn)	Q2 2015	FY14	vs. FY14 (%)
TNAV per share (p)	380p	387p	(7p)
Tangible equity (£bn)	43.9	44.4	(1.0%)
Customer balances			
Funded assets	683	697	(2.1%)
Net loans & advances to customers ⁽¹⁾	380	395	(3.8%)
Customer deposits ⁽¹⁾	413	415	(0.5%)
Liquidity and funding			
Loan-to-deposit ratio (%)	92%	95%	(300bps)
Liquidity coverage ratio (%)	117%	112%	+500bps
Liquidity portfolio (£bn)	161	151	+6.6%
Capital & leverage			
Leverage exposure (£bn)	875	940	(6.9%)
Leverage ratio (%)	4.6%	4.2%	+40bps
CET1 capital (£bn)	40	40	+0.3%
CET1 ratio (%)	12.3%	11.2%	+110bps
RWAs (£bn)	326.4	355.9	(8%)

Q2 2015 vs. FY 2014

- TNAV of 380p – down 7p from FY 2014
- RWAs down a further £29.5bn (8%) to £326.4bn. On track to be less than £300bn by the end of 2015
- NPLs⁽²⁾ declined by £3.6bn (16%) during the quarter primarily on continued RCR reduction. NPLs as a % of L&A down by 60bps from 5.4% to 4.8%
- Capital position continues to strengthen. CET1 ratio up a further 110bps to 12.3%
- Leverage ratio improved by 40bps to 4.6%

⁽¹⁾ Includes disposal groups ⁽²⁾ NPLs = Risk Elements in Lending in the Company Announcement.

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) transformation plan (which includes RBS's 2013/2014 strategic plan relating to the implementation of its new divisional and functional structure and the continuation of its balance sheet reduction programme including its proposed divestments of Citizens Financial Group, Inc. ("CFG") and Williams & Glyn, RBS's information technology and operational investment plan, the proposed restructuring of RBS's CIB business and the restructuring of RBS as a result of the implementation of the regulatory ring-fencing regime, together the "Transformation Plan"), as well as restructuring, capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAe), Pillar 2A, Maximum Distributable Amount (MDA), total loss absorbing capital (TLAC), minimum requirements for eligible liabilities (MREL), return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, anticipated AT1 and other capital raising plans, funding and risk profile; litigation, government and regulatory investigations including investigations relating to the setting of interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by RBS arising out of the origination or sale of mortgages or mortgage-backed securities in the US; investigations relating to business conduct and the costs of resulting customer redress and legal proceedings; RBS's future financial performance; the level and extent of future impairments and write-downs; and RBS's exposure to political risks, credit rating risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates, targets and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk 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 2014 Annual Report and Accounts and the 2015 Interim Results. These include the significant risks for RBS presented by the execution of the Transformation Plan; RBS's ability to successfully implement the various initiatives that are comprised in the Transformation Plan, particularly the balance sheet reduction programme including the divestment of Williams & Glyn and its remaining stake in CFG, the proposed restructuring of its CIB business and the significant restructuring undertaken by RBS as a result of the implementation of the ring fence; whether RBS will emerge from implementing the Transformation Plan as a viable, competitive, customer-focused and profitable bank; RBS's ability to achieve its capital targets which depend on RBS's success in reducing the size of its business; the cost and complexity of the implementation of the ring-fence and the extent to which it will have a material adverse effect on RBS; the risk of failure to realise the benefit of RBS's substantial investments in its information technology and operational infrastructure and systems, the significant changes, complexity and costs relating to the implementation of the Transformation Plan, the risks of lower revenues resulting from lower customer retention and revenue generation as RBS refocuses on the UK as well as increasing competition. In addition, there are other risks and uncertainties. These include RBS's ability to attract and retain qualified personnel; uncertainties regarding the outcomes of legal, regulatory and governmental actions and investigations that RBS is subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; uncertainty relating to how policies of the new government elected in the May 2015 UK election may impact RBS including a possible referendum on the UK's membership of the EU and the consequences arising from it; operational risks that are inherent in RBS's business and that could increase as RBS implements its Transformation Plan; the potential negative impact on RBS's business of actual or perceived global economic and financial market conditions and other global risks; how RBS will be increasingly impacted by UK developments as its operations become gradually more focused on the UK; uncertainties regarding RBS exposure to any weakening of economies within the EU and renewed threat of default or exit by certain countries in the Eurozone; the risks resulting from RBS implementing the State Aid restructuring plan including with respect to the disposal of certain assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by RBS; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; regulatory or legal changes (including those requiring any restructuring of RBS's operations); changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies and continued prolonged periods of low interest rates; changes in UK and foreign laws, regulations, accounting standards and taxes; impairments of goodwill; the high dependence of RBS's operations on its information technology systems and its increasing exposure to cyber security threats; the reputational risks inherent in RBS's operations; the risk that RBS may suffer losses due to employee misconduct; pension fund shortfalls; the recoverability of deferred tax assets; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this announcement, and RBS does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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.