

H1/Q2 2015 results and update on strategic progress

30 July 2015

Philip Hampton

Chairman



Ross McEwan

Chief Executive Officer

The strategy is working – good progress against 2015 targets

We are going further, faster on delivering our Plan

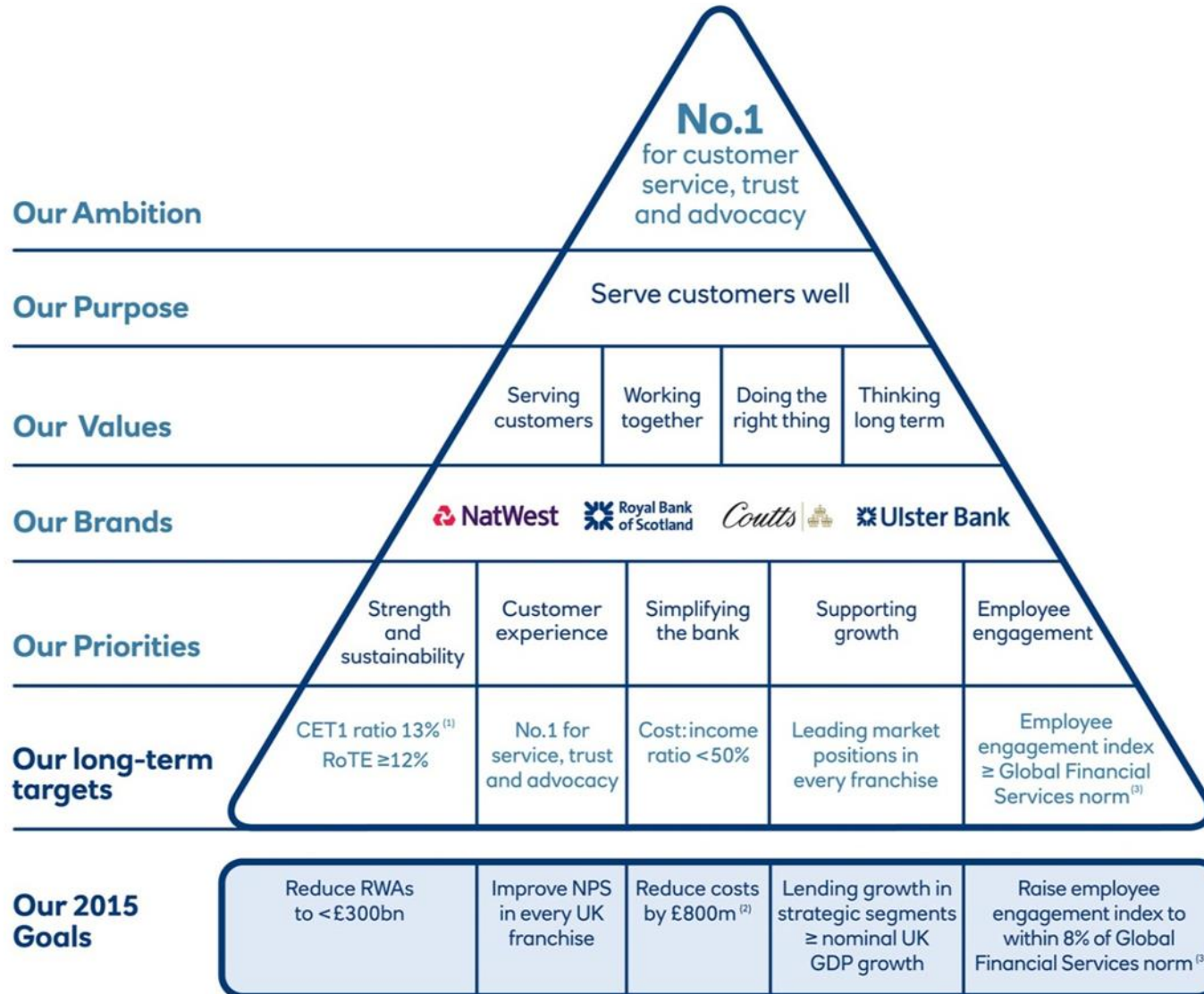
- Capital ratio is up
- Adjusted costs⁽¹⁾ are down
- Returns in the Go-Forward Bank⁽²⁾ are up
- Restructuring continues at pace
- Continue to make the bank simpler and easier to do business with

Businesses categorised into three areas

- **Invest to grow:** UK PBB and Commercial
- **Reposition for returns and growth:** Ulster Bank, CIB Go-Forward, UK Private Banking
- **Dispose or run-off:** Citizens, CIB Capital Resolution, RCR, Williams & Glyn, International Private Banking

Our focus on customer service, trust and advocacy is starting to deliver results

Our blueprint for lasting success



⁽¹⁾ During the period of CIB restructuring. ⁽²⁾ Excludes restructuring, conduct, litigation and intangible write-off charges as well as the operating costs of Citizens Financial Group and Williams & Glyn. ⁽³⁾ Global Financial Services (GFS) norm currently stands at 83%.

Good progress against 2015 goals

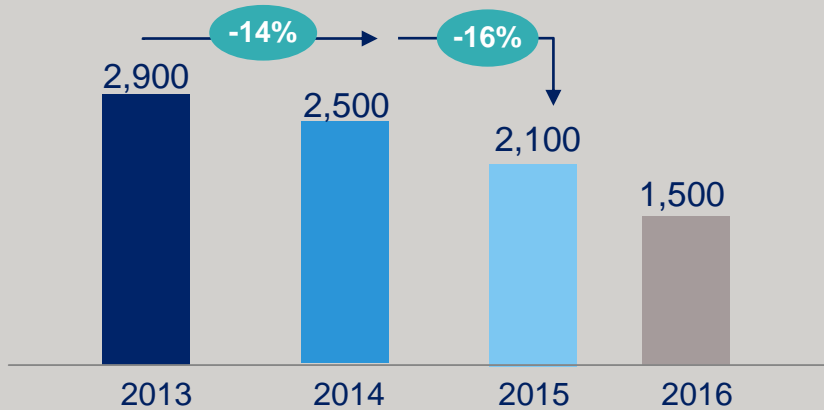


Priorities	2015 Goals	H1 Progress
Strength & sustainability	<ul style="list-style-type: none"> RWAs reduced to below £300bn RCR exit substantially complete Citizens exit AT1 issuance (£2bn) 	<ul style="list-style-type: none"> £326bn Funded assets down 78% since initial pool of assets identified⁽¹⁾ Further 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

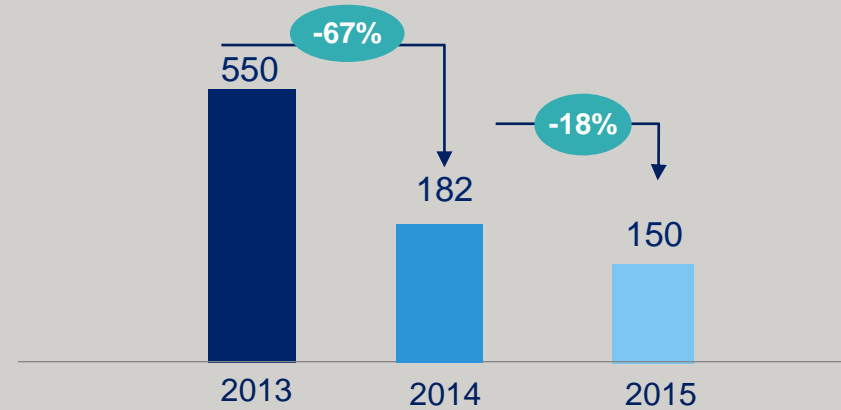
⁽¹⁾Funded assets are down 71% since 1 Jan 2014. ⁽²⁾Following the Offering and the directed buy back, RBSG will continue to hold up to 23.4% of CFG's shares of common stock (20.9% assuming exercise of the entire over-allotment option). ⁽³⁾Issuance subject to market conditions. ⁽⁴⁾Further details in slide 33 ⁽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.

We are becoming simpler

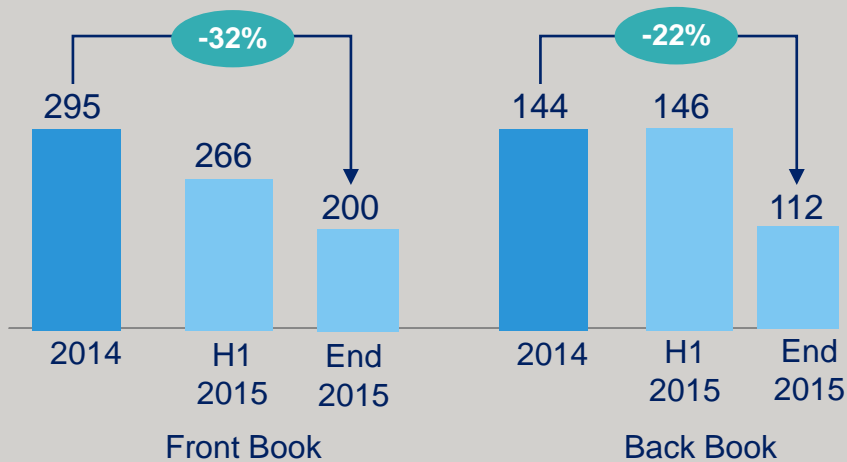
Total Number of Properties⁽¹⁾



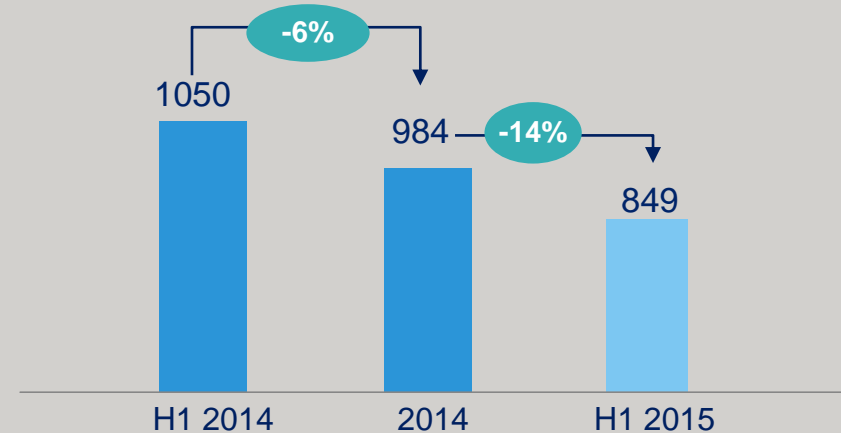
Number of Programmes



Number of products⁽²⁾

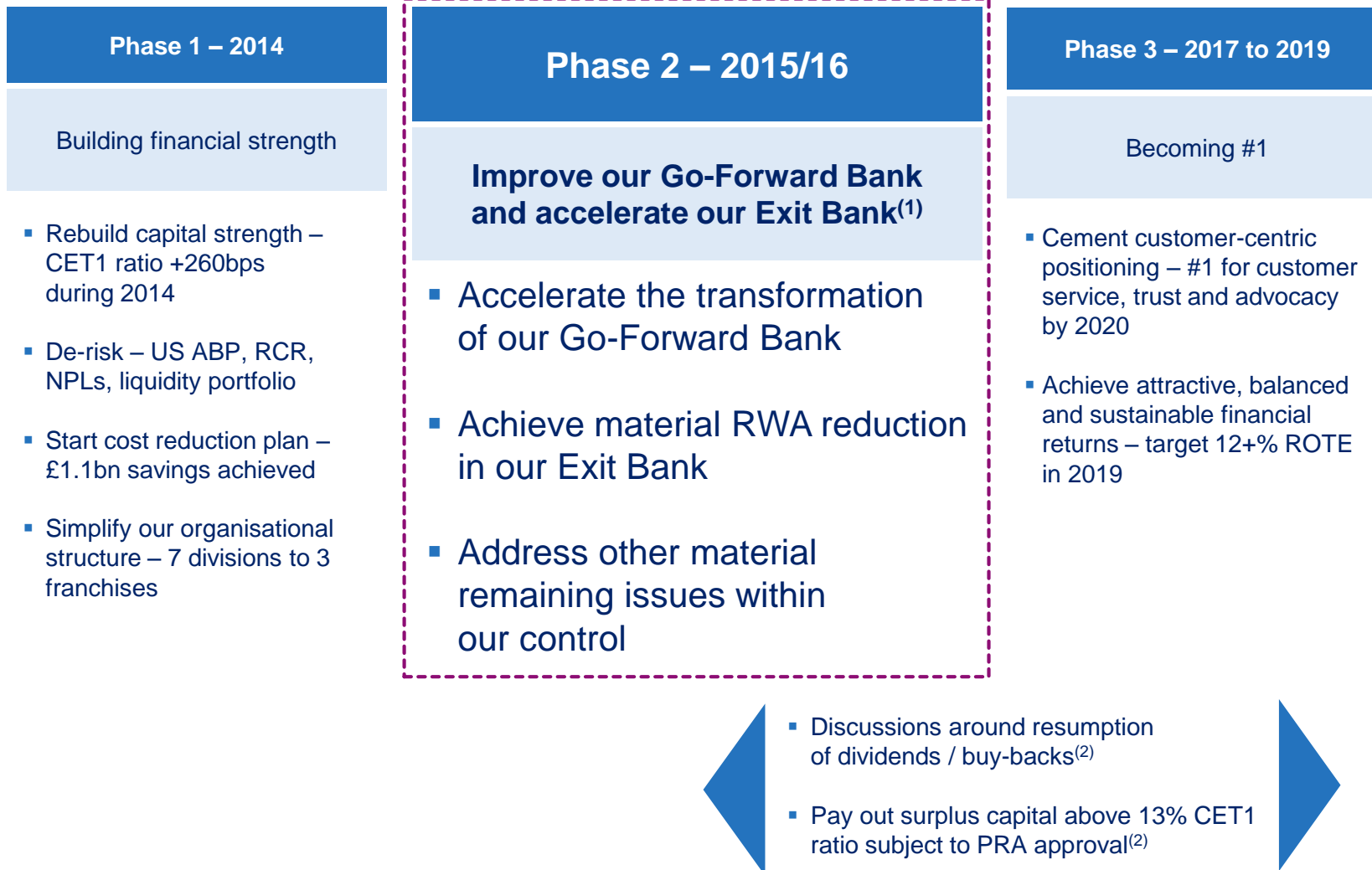


Number of registered companies



⁽¹⁾ Whole bank including branches and head office properties. Williams & Glyn included up to end 2015. ⁽²⁾ Excludes CIB and GTS. Notes: The objectives set on this slide are forward looking statements - See the last page of this presentation.

Building long-term shareholder value



⁽¹⁾ See slide 15 pro-forma Go-Forward and Exit Bank profiles ⁽²⁾ 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.

Improving the Go-Forward Bank Delivering for our customers in Phase 2



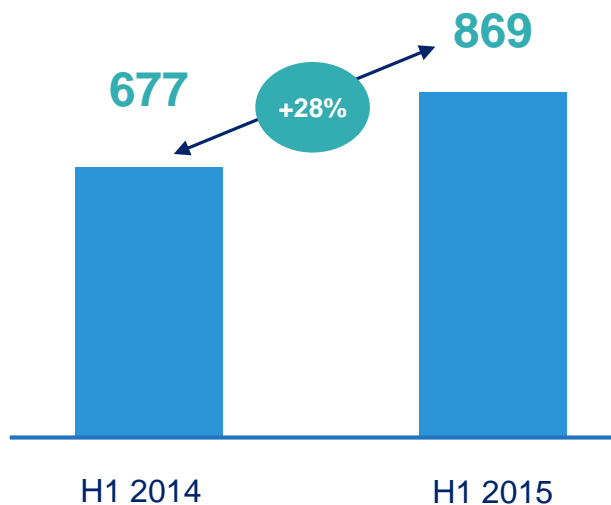
Priorities	H1 2015 highlights
Strength & Sustainability	<ul style="list-style-type: none"> Only bank/building society to have the 'fairbanking' 5* mark on instant access adult savings range Investing over £600m in 2015 on IT, business resilience and regulatory related programmes Continued focus on culture and leadership
Customer experience	<ul style="list-style-type: none"> Innovation: Apple Pay, TouchID and RNIB approved cards 3% Cashback Reward account launched NatWest mobile banking app customer Net Promoter Score improved to joint #1 in the market⁽¹⁾ Customers using the mobile banking app increased 12% to 3.3 million
Simplifying the bank	<ul style="list-style-type: none"> Average personal current account opening time halved to 30 minutes Commercial Bank reduced account opening time by 25% Rationalisation of our front and back-book product sets by up to 50%
Supporting growth	<ul style="list-style-type: none"> Increased number of mortgage advisors by 28% from H1 2014 Launched £2.5 million Skills & Opportunities fund Opening eight entrepreneurial hubs. Birmingham, Bristol and Leeds opened, with more in plan
Employee engagement	<ul style="list-style-type: none"> Set target of 30% female leaders in every business by 2020 Rollout of bank-wide training to 7,500 leaders across the bank

⁽¹⁾ Source: Internal NPS Drivers study, June 15 based on 3 month rolling average with latest base size NatWest (2234) Question: 'Based on your recent experience how likely are you to recommend their online services to a relative, friend or colleague in the next 12 months?'

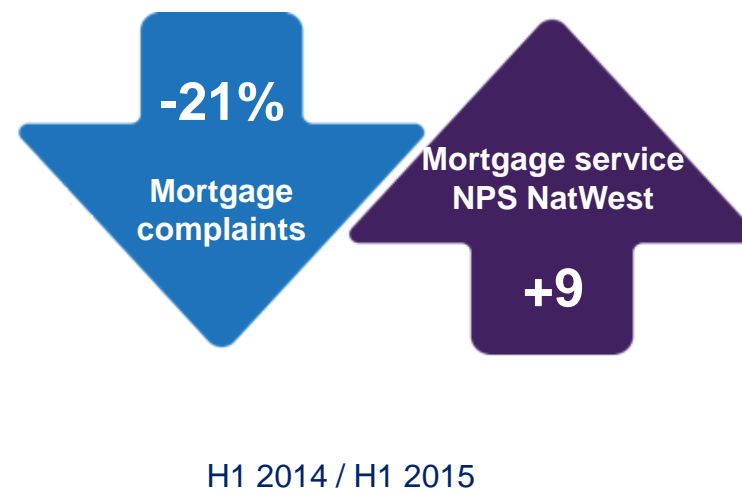
Customers are responding to our investment

We are:
investing in advice

Number of mortgage advisors

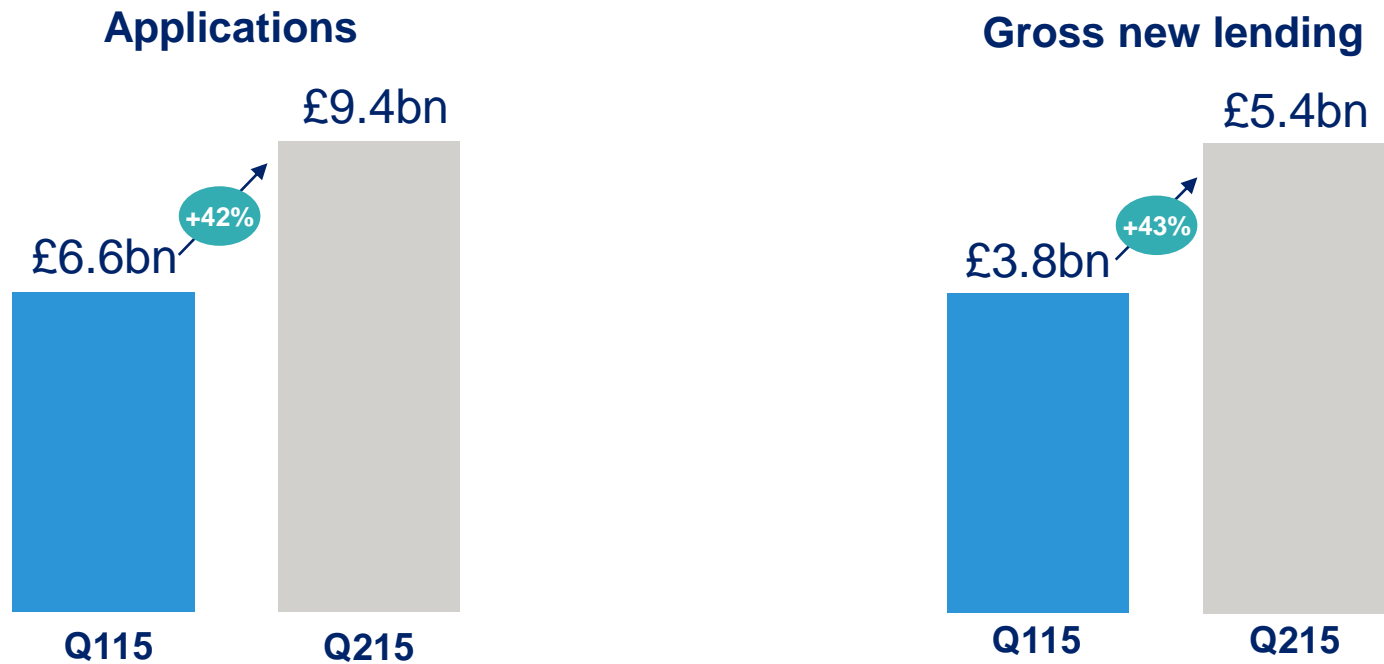


Customers are:
more engaged



Strong growth in our mortgage business

UK Personal and Business Banking



Q2 net growth of £1.8bn, balances £105.4bn

Stronger capital position. CET1 ratio is up to 12.3%

Adjusted costs are down 14% H1 2014 / H1 2015 ⁽¹⁾

Investment in our Go-Forward Bank is delivering results

Our focus on customer service is starting to deliver results

⁽¹⁾ Excluding restructuring, litigation and conduct costs



Ewen Stevenson

Chief Financial Officer

Illustrative Go-Forward Bank and Exit Bank profile



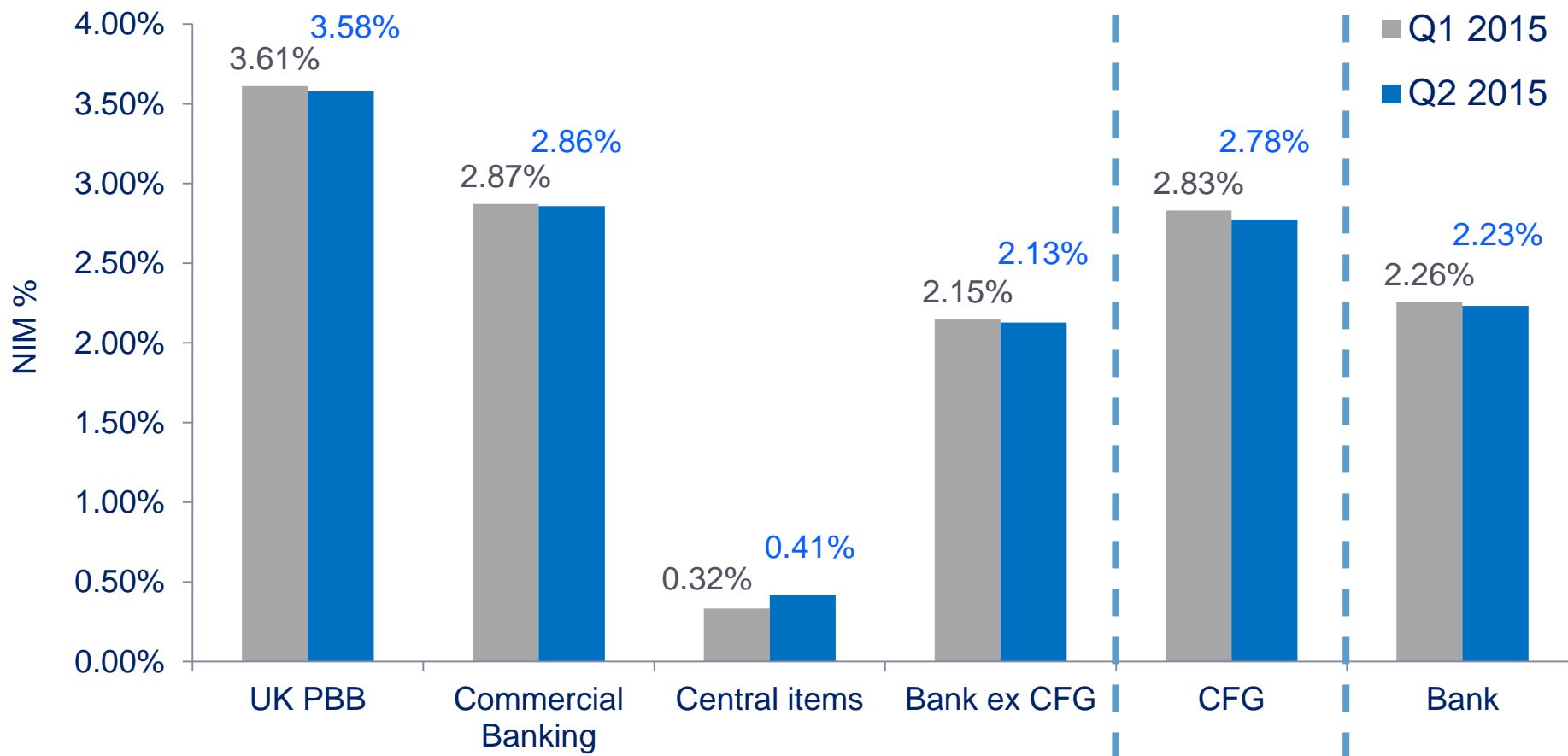
	Illustrative Go-Forward Bank profile (Q2 2015)					Illustrative Exit Bank (Q2 2015)							Total RBS
(£bn)	PBB ⁽¹⁾	CPB ⁽²⁾	CIB Go-Forward ⁽³⁾	Other Go-Forward ⁽⁴⁾	Total Go-Forward	Citizens	CIB Capital Resolution ⁽³⁾	RCR	W&G ⁽⁵⁾	Int'l Private Banking	Other Investments	Total Exit Group	
Income	1.5	1.1	0.4	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.

Net Interest Margin analysis



Net Interest Income, £m	1,143	1,147	546	562	62	88	2,203	2,215	553	551	2,756	2,766
Avg. Interest Earning Assets, £bn	128	129	77	79	73	82	415	417	79	80	495	497

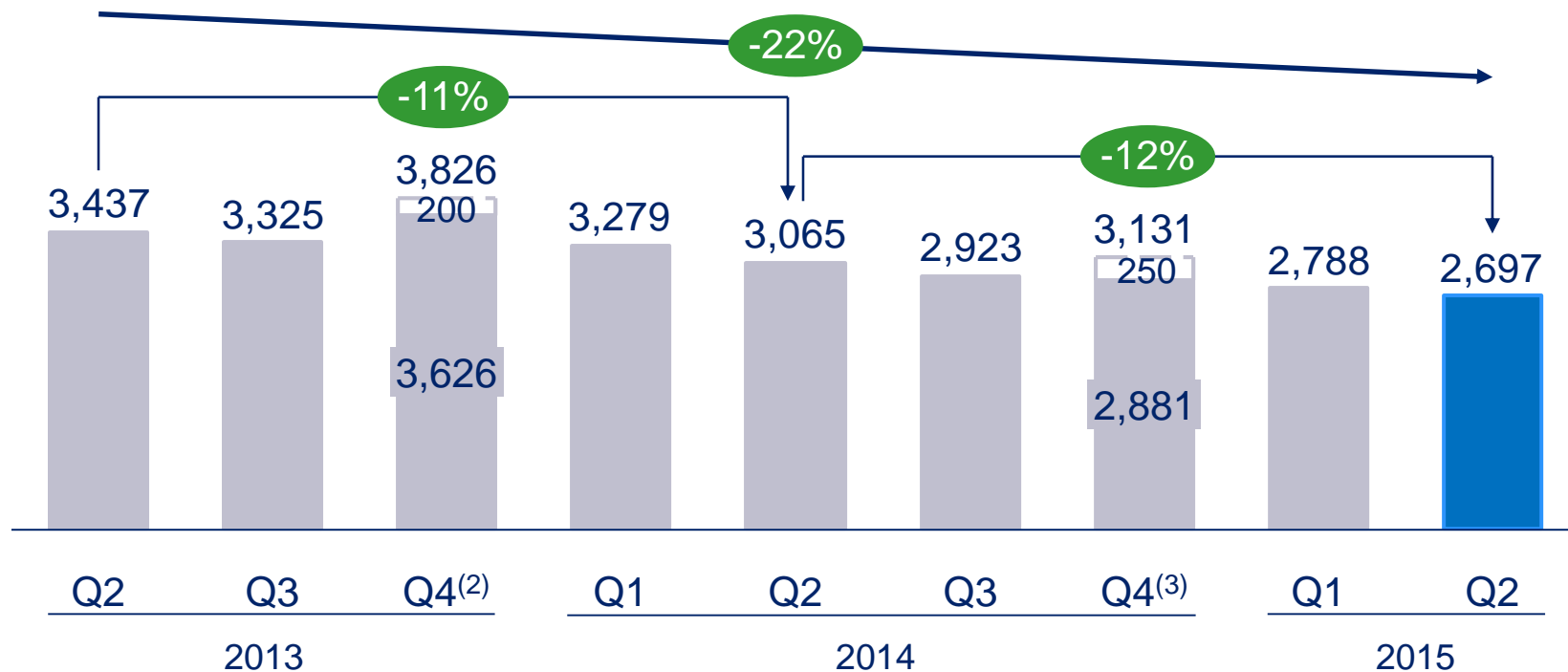


⁽¹⁾ For the purposes of net interest margin calculations, a decrease of £8 million (H1 2014 - £28 million - £3 million Q1 2015 - £5 million; Q2 2014 - £14 million) was made in respect of interest on financial assets and liabilities designated as at fair value through profit or loss. Related interest-earning assets and interest-bearing liabilities have also been adjusted

Cost base continues to be reduced

Bank levy

Quarterly adjusted⁽¹⁾ cost reduction progression (£m)



In the medium-term, we expect a normalised tax rate around 27% before trending lower towards the end of our 2019 plan. We expect the UK bank levy this year to be around £280m falling to £150m by 2019

⁽¹⁾ Adjusted costs excluding restructuring and litigation. ⁽²⁾ Q4 2013 includes bank levy charge of £200m. Additionally, Q4 2013 was adversely affected by intangible asset write-offs of £344m.

⁽³⁾ Q4 2014 includes bank levy charge of £250m.

	UK PBB			Ulster			Total PBB		
P&L (£m)	Q2 2015	Q1 2015	vs. Q1 2015 (%)	Q2 2015	Q1 2015	vs. Q1 2015 (%)	Q2 2015	Q1 2015	vs. Q1 2015 (%)
Income	1,469	1,452	+1%	178	190	(6%)	1,647	1,642	+0%
Operating expenses ⁽¹⁾	(763)	(746)	+2%	(139)	(140)	(1%)	(902)	(886)	+2%
<i>Restructuring costs</i>	(20)	(30)	(33%)	(19)	1	nm	(39)	(29)	+34%
<i>Litigation & conduct costs</i>	(10)	(354)	(97%)	8	-	nm	(2)	(354)	(99%)
(Impairments) / recoveries	(9)	26	nm	52	-	nm	43	26	+65%
Operating profit / (loss)	667	348	+92%	80	51	+57%	747	399	+87%
Key metrics									
Net interest margin	3.58%	3.61%	(3bps)	1.93%	1.95%	(2bps)	3.29%	3.32%	(3bps)
Return on equity ⁽²⁾	32.1%	15.4%	+17ppts	9.9%	6.2%	+4ppts	24.7%	12.3%	+12ppts
Adj return on equity ^(1,2)	33.6%	34.3%	(1ppts)	11.3%	6.1%	+5ppts	26.1%	25.2%	+1ppts
Cost-income ratio	54%	78%	(24ppts)	84%	73%	+11ppts	57%	77%	(20ppts)
Adj cost-income ratio ⁽¹⁾	52%	51%	+1ppts	78%	74%	+4ppts	55%	54%	+1ppts
Balance sheet (£bn)									
RWAs	41.0	42.6	(4%)	21.2	22.4	(5%)	62.2	65.0	(4%)

⁽¹⁾ Excluding restructuring and conduct costs. ⁽²⁾ Return on equity is based on operating profit after tax adjusted for preference share dividends divided by average notional equity (based on 13% of the monthly average of segmental RWAs).

Commercial & Private Banking



Commercial Banking

Private Banking

Total CPB

P&L (£m)	Q2 2015	Q1 2015	vs. Q1 2015 (%)	Q2 2015	Q1 2015	vs. Q1 2015 (%)	Q2 2015	Q1 2015	vs. Q1 2015 (%)
Income	892	822	+9%	207	214	(3%)	1,099	1,036	+6%
Operating expenses ⁽¹⁾	(390)	(408)	(4%)	(177)	(186)	(5%)	(567)	(594)	(5%)
<i>Restructuring costs</i>	(17)	(1)	<i>nm</i>	(84)	1	<i>nm</i>	(101)	-	<i>nm</i>
<i>Litigation & conduct costs</i>	(59)	-	<i>nm</i>	(26)	(2)	<i>nm</i>	(85)	(2)	<i>nm</i>
(Impairments) / recoveries	(26)	(1)	<i>nm</i>	2	1	+100%	(24)	-	<i>nm</i>
Operating profit / (loss)	400	412	(3%)	(78)	28	<i>nm</i>	322	440	(27%)
Key metrics									
Net interest margin	2.86%	2.87%	(1bp)	3.21%	3.25%	(4bps)	2.92%	2.94%	(2bps)
Return on equity ⁽²⁾	11.3%	11.9%	(1ppts)	(20.1%)	4.4%	<i>nm</i>	7.5%	10.9%	(3ppts)
Adj return on equity ^(1,2)	13.7%	11.9%	+2ppts	5.6%	4.6%	+1ppts	12.7%	11.0%	+2ppts
Cost-income ratio	52%	50%	+2ppts	139%	87%	+52ppts	69%	58%	+11ppts
Adj cost-income ratio ⁽¹⁾	44%	50%	(6ppts)	86%	87%	(1ppts)	52%	57%	(5ppts)
Balance sheet (£bn)									
RWAs	66.9	65.5	+2%	9.8	10.2	(4%)	76.7	75.7	+1%

⁽¹⁾ Excluding restructuring and conduct costs. ⁽²⁾ Return on equity is based on operating profit after tax adjusted for preference share dividends divided by average notional equity (based on 13% of the monthly average of segmental RWAs).

(£m)	Q2 2015	vs. Q1 2015 (%)	H1 2015
<i>Rates</i>	164	(21%)	372
<i>Currencies</i>	107	+22%	195
<i>Credit</i>	86	(45%)	242
<i>Banking/other</i>	(47)	<i>nm</i>	(69)
CIB Go-Forward	310	(28%)	740
Business transfers primarily to Commercial banking ⁽²⁾	102	(16%)	223
Income	412	(25%)	963
Funded Assets (£bn)	149	(8%)	149
RWAs (£bn)	43	(5%)	43

Comments

- Income is broadly in line with expectations given the reduction in scale and scope
- The reduction in income during Q2 2015 reflects Eurozone uncertainty, impacting Rates and Credit in particular, and the normal seasonal impact compared to Q1 2015
- CIB Go – Forward is undergoing a multi-year transformation, implementing a simpler operating model focused on debt financing and risk management (Rates, Currencies)
- CIB Go – Forward Bank income of £963m for H1 2015 including £223m for segments which will ultimately reside in other divisions, primarily Commercial Banking
- These transfers are part of our Ring-Fence planning
- £43bn includes £9bn⁽²⁾ of RWAs related to businesses that will transfer out of CIB

⁽¹⁾ CIB results split into Go-forward and Capital Resolution elements. The split is subject to further refinement. ⁽²⁾ Transfer to other areas comprises the UK Portfolio which was transferred to Commercial Banking on 1 May 2015, the Western European Portfolio is expected to be transferred to Commercial Banking during H2 2015 and UK Transaction Services which is expected to transfer to Commercial Banking in 2016.

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

Corporate & Institutional Banking Capital Resolution



(£bn)	Financials			
	Q4 2014		Q2 2015	
	TPAs	RWAs	TPAs	RWAs
APAC Portfolio	7.7	4.2	6.1	3.4
Americas Portfolio	4.6	7.8	3.4	4.3
EMEA Portfolio	9.9	6.8	5.9	4.3
Shipping	5.7	4.4	5.3	4.5
Markets	54.2	28.6	34.1	20.0
GTS	11.3	11.2	6.3	8.0
Other	1.6	0.8	1.2	0.7
Total	95.0	63.8	62.3	45.2

(£m)	Q2 2015
Total Gross Income	221
Asset Disposals	(113)
Total Income	108

Comments

- Americas Portfolio: we have announced the exit of over 2/3rds of our corporate loan book and associated commitments that were targeted for run-down or sale
- We expect to be substantially out of our North Americas exit portfolio by year-end 2015
- US asset-backed product exit
- APAC Portfolio: announced the sale of substantially all of our Australian and Hong Kong business
- Commenced sales processes for China, India and Malaysia businesses
- RWAs down £18.6bn in the first half, showing strong early progress

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

⁽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 H1 2015 results filed on form 6K. 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 H1 2015 Results filed on Form 6-K.

Other issues we need to address

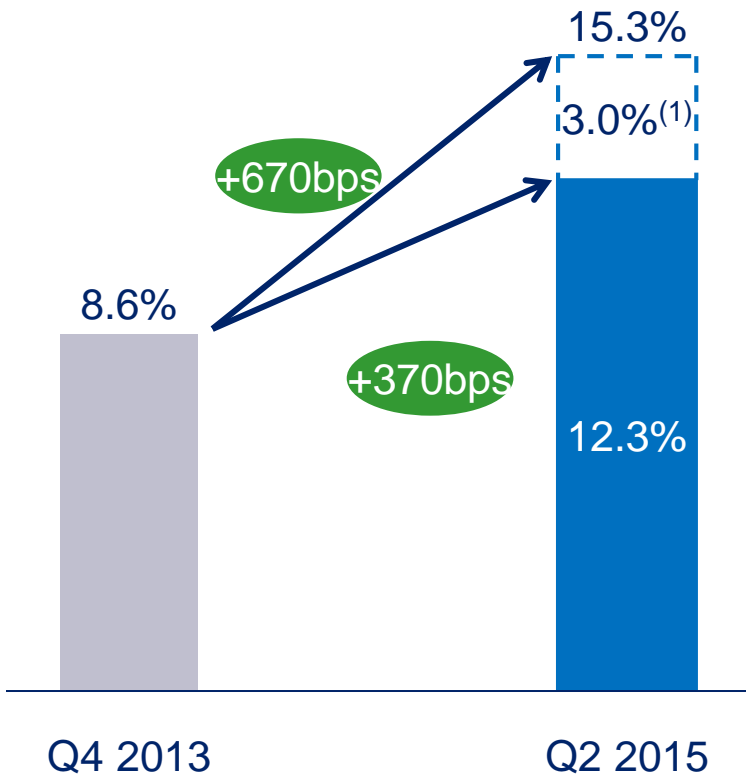
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Dealing with legacy issues	Strengthening capital and reducing balance sheet stress volatility	Readying the bank for future developments
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Improved capital resilience

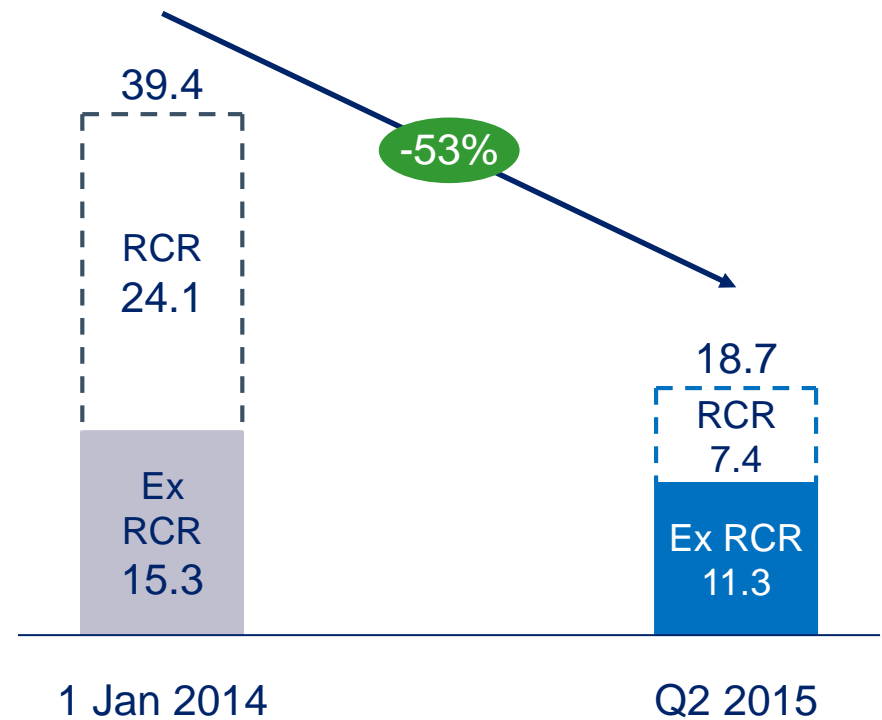
CET1 Capital Ratio: 13% Target

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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Focus Area	Comments
Go-Forward Bank	<ul style="list-style-type: none">▪ Build value through focusing on improving customer service, enhancing growth and achieving higher returns
Exit Bank	<ul style="list-style-type: none">▪ Accelerating speed of wind-down while preserving value▪ Targeting substantive reduction by end 2016
Other Issues	<ul style="list-style-type: none">▪ Conduct and litigation issues being progressively addressed▪ Capital resilience materially improving – clear path to resuming dividends / buybacks

Summary

RBS in 2019			
# 1 Service	Personal & Business Banking	Commercial & Private Banking	Corporate & Institutional Banking
Leading market positions	<ul style="list-style-type: none"> #2 UK Personal Current Accounts #3 ROI Personal Current Accounts #2 UK business bank main relationship 	<ul style="list-style-type: none"> #1 SME Bank #1 UK Commercial Bank #1 UK Private Bank #1 UK crown dependencies 	<ul style="list-style-type: none"> Top 3 UK Rates, DCM, FX Top 3 European Structured Finance Top 3 Western Europe Investment Grade Corporate DCM
Attractive returns and business mix	<ul style="list-style-type: none"> UK / Irish franchise strengths 85% of RWAs in retail and commercial/15% in Corporate & Institutional Cost:income ratio <50% 12+% RoTE from a lower risk franchise 		

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%

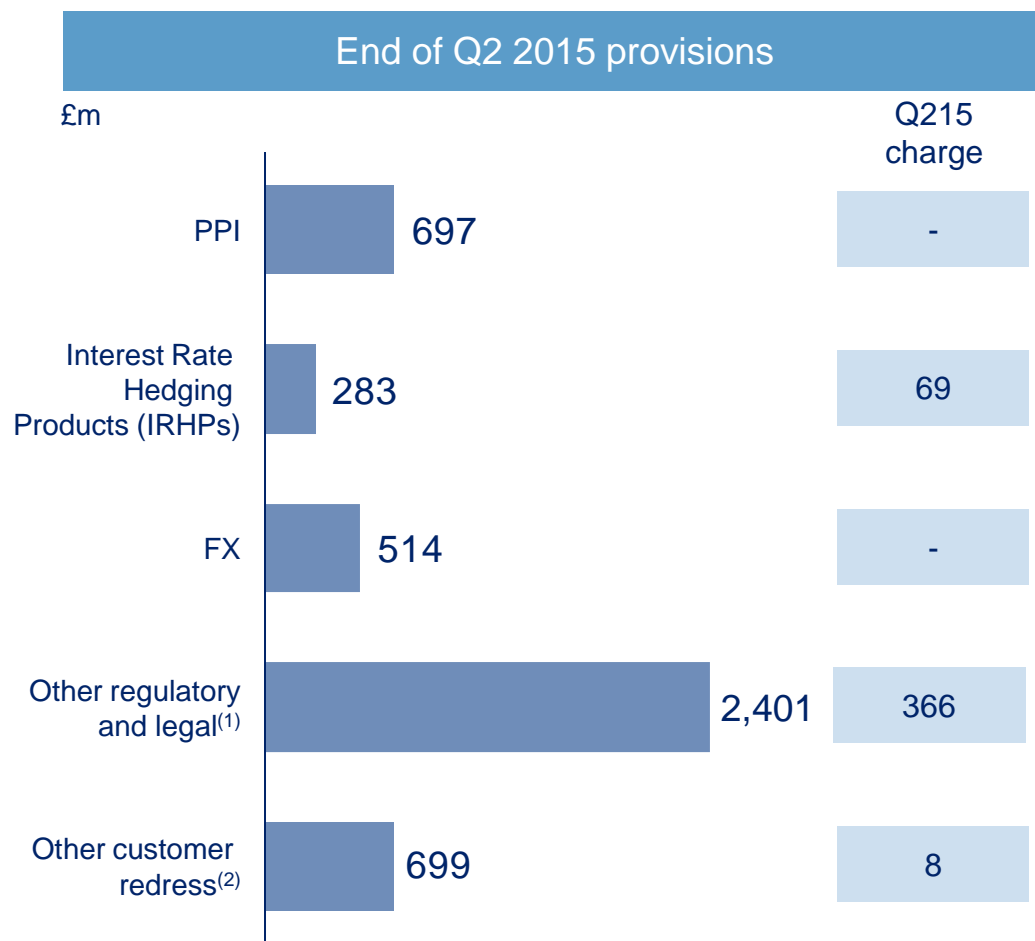
⁽¹⁾ Includes disposal groups ⁽²⁾ NPLs = Risk Elements in Lending in the Company Announcement.

P&L (£m)	Q2 2015	Q1 2015
Income	45	120
Operating expenses ⁽¹⁾	(53)	(48)
<i>Restructuring costs</i>	-	-
<i>Litigation & conduct costs</i>	-	-
(Impairments) / recoveries	184	109
Operating profit / (loss)	176	181
Balance sheet (£bn)		
Funded assets	8.4	11.1
Risk elements in lending	7.4	10.2
Provision coverage	69%	70%
RWAs	14.4	17.2
RWAes	17.9	21.7

Q2 2015 vs. Q1 2015

- Q/Q funded assets down £2.7bn (24%) to £8.4bn and RWAes down £3.8bn (18%) to £17.9bn driven by disposals and repayment.
- Net impairment provision releases of £184m reflecting improved collateral values and favourable economic conditions
- Q2 2015 operating profit of £176m, down 3% Q/Q driven primarily by the impairment release
- On course to complete targeted run-down by end 2015

⁽¹⁾ Excluding restructuring and litigation and conduct costs.



Q2 2015 litigation and conduct balance sheet provision: £4.6bn

PPI

- No additional provision taken in Q2 2015
- Provision now covers c.23 months of the current monthly utilisation

IRHPs

- Outcomes agreed on all cases with an independent reviewer

FX

- Remain in discussion with governmental and other regulatory authorities

US RMBS

- Continue to work through RMBS litigation, FHFA and other material RMBS related matters remain outstanding

⁽¹⁾ Includes Other regulatory provisions and Litigation as per the Interim Management Statement Note 5. ⁽²⁾ Closing provision primarily relates to investment advice and packaged accounts.

Impact of notable items on P&L

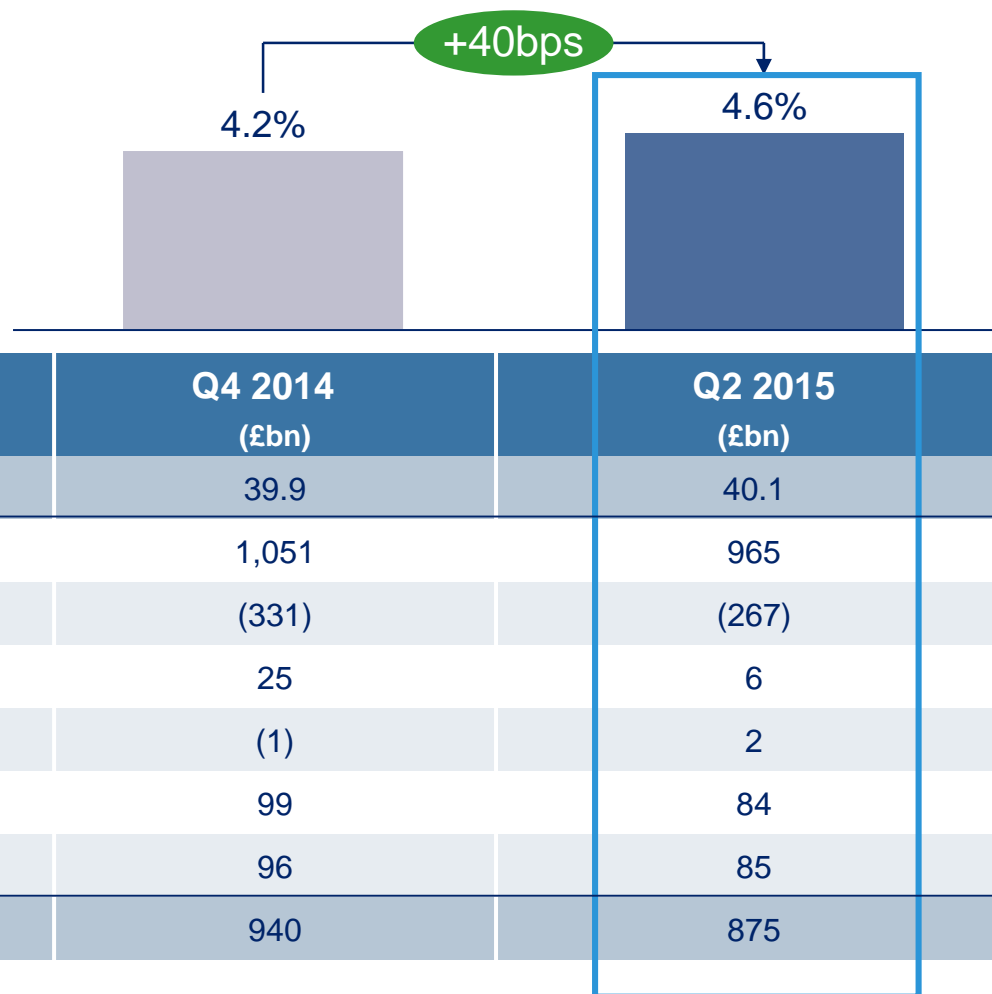


£m	H1 2015	Q2 2015	Q1 2015
Reported in adjusted operating performance			
CIB CR disposal losses	(141)	(113)	(28)
RCR disposal contributions primarily within impairment provision releases ⁽²⁾	283	164	119
AFS disposal (loss)/ gains in Centre (<i>Income</i>)	(69)	(42)	(27)
Risk Management (incl. IFRS volatility) in Centre (<i>Income</i>)	93	201	(108)
Restructuring costs	(1,503)	(1,050)	(453)
<i>o/w W&G restructuring costs</i>	(259)	(126)	(133)
<i>o/w Write-down of the value of US premises ⁽¹⁾</i>	(277)	-	(277)
<i>o/w Software write-downs</i>			
- CIB ⁽¹⁾	(521)	(521)	-
- Private Banking ⁽¹⁾	(82)	(82)	-
Total conduct & litigation costs ⁽¹⁾	(1,315)	(459)	(856)
<i>o/w PPI redress and related costs ⁽¹⁾</i>	(100)	-	(100)
<i>o/w IRHP redress and related costs ⁽¹⁾</i>	(69)	(69)	-
<i>o/w Litigation ⁽¹⁾</i>	(511)	(339)	(172)
<i>o/w FX ⁽¹⁾</i>	(334)	-	(334)
<i>o/w Other customer redress ⁽¹⁾</i>	(265)	(8)	(257)
Reported 'below the line'			
Own Credit Adjustment	288	168	120
Citizens discontinued operations operating profit post tax	344	157	187
Citizens discontinued operations gain provision	10	517	(507)
Citizens minority interest operating profit	(134)	(93)	(55)
Citizens minority interest gain provision	(156)	(306)	150

⁽¹⁾ Fully allocated to businesses ⁽²⁾ See footnote 1 of pg. 60 of the IMS. .

Leverage ratio – key drivers

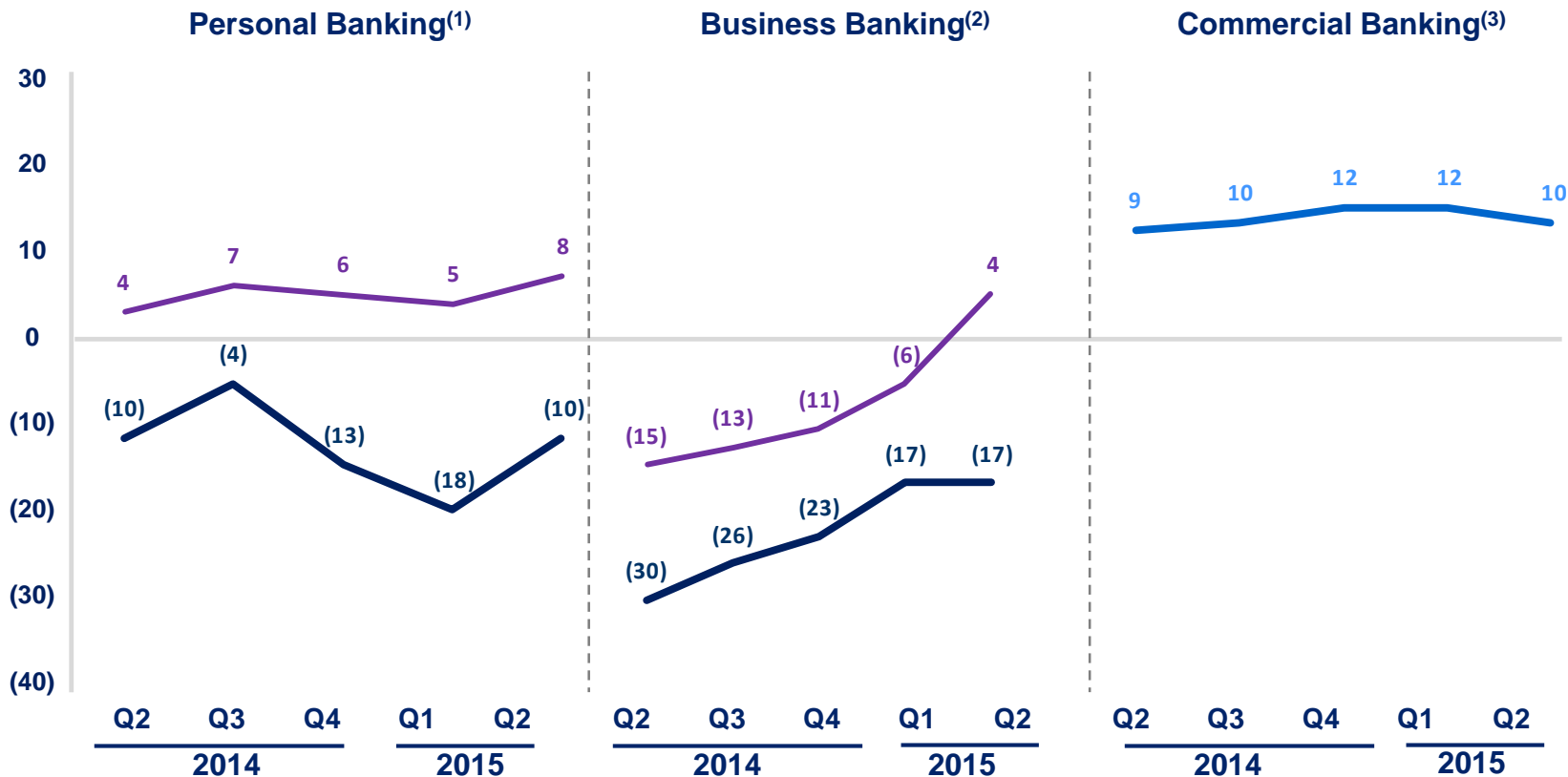
Leverage ratio, %



Our focus on customer service, trust and advocacy is starting to deliver results



Net Promoter Scores across our core businesses



⁽¹⁾ Personal Banking: Source GfK FRS, 6 month roll. Latest base sizes: NatWest (3340) RBS (458) Question "How likely is it that you would be to recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?" Base: Claimed main banked current account customers. The year on year movement in NatWest Personal NPS is significant.

⁽²⁺³⁾ Business & Commercial Banking: Source Charterhouse Research Business Banking Survey, quarterly rolling. Latest base sizes, Business £0-2m NatWest (1219) RBS (415) Commercial ³ £2m+ combination of NatWest & RBS in GB (846) Question: "How likely would you be to recommend (bank)". Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain. The year on year improvements in Business Banking are significant.

- Royal Bank of Scotland (Scotland)
- NatWest (England & Wales)
- RBSG (GB)

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.