Q1 2016 Results

29 April 2016

Q1 2016 Financial results highlights

Adjusted return on equity across our core PBB, CPB and CIB franchises of 10.9% in Q1 2016

Operating profit of £421m; Attributable loss of £968m post final DAS dividend of £1,193m

Underlying Income across the PBB and CPB franchises was broadly stable on Q1 2015

PBB and CPB net loans up 4% on Q4 2015

On track to take £800m costs out in 2016[1]

Capital Resolution operating loss £301m, of which £226m relating to a shipping portfolio impairment charge

[1] Excluding litigation and conduct costs, restructuring costs, write down of goodwill and other intangible assets and the operating costs of Williams and Glyn

Q1 2016 Business highlights

Core Franchises

Committed to meet 2016 targets

Good momentum in lending

NatWest Personal and Business Banking NPS are at their highest point since 2010

Addressing remaining issues

International Private Banking sale completed early April

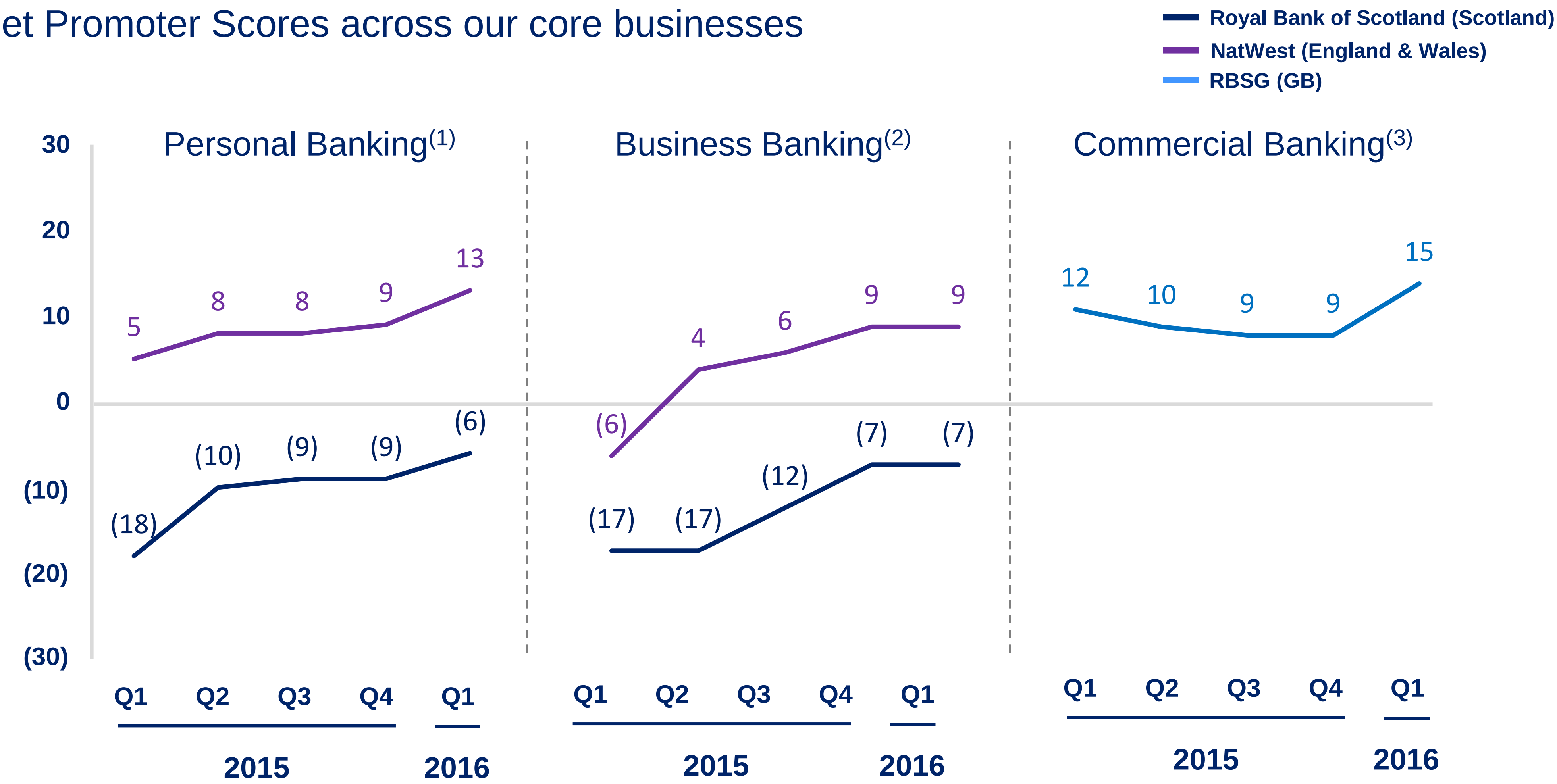
Reduced outstanding funding and accelerated toward MREL compliance

£4.2bn pension payment made to the main scheme

DAS has been retired, final payment of £1.2bn made

NatWest Personal and Business Banking NPS are at their highest point since 2010

Net Promoter Scores across our core businesses



(1) Personal Banking: Source GfK FRS, 6 month roll. Latest base sizes: NatWest (3464) Royal Bank of Scotland (607) Question "How likely is it that you would 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. Year on year increases are significant.

(2+3)Business & Commercial Banking: Source Charterhouse Research Business Banking Survey, quarterly rolling. Latest base sizes, Business £0-2m NatWest (1347) Royal Bank of Scotland (425) Commercial (3) £2m+ combination of NatWest & Royal Bank of Scotland in GB (888) 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 improvement in NatWest Business Banking is significant.

Q1 2016 results

(£bn)	Core Franchises: UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Total Core Franchises	Other: Capital Resolution	W&G	Central items & other[1]	Total Other	Total RBS
Adj. Income[2]	**1.3**	**0.2**	**0.9**	**0.2**	**0.1**	**0.3**	**2.8***	**0.1**	**0.2**	**(0.3)**	**(0.0)**	**2.8**
Adj. Operating expenses[3]	(0.7)	(0.1)	(0.4)	(0.1)	(0.0)	(0.3)	(1.8)*	(0.2)	(0.1)	(0.1)	(0.4)	(2.2)
Impairment (losses) / releases	-	-	-	-	-	-	-	(0.2)	-	-	(0.2)	(0.2)
Adj. operating profit[2,3]	**0.5**	**0.1**	**0.4**	**0.0**	**0.1**	**(0.1)**	**1.0**	**(0.4)**	**0.1**	**(0.3)**	**(0.6)**	**0.4**
Funded Assets	146.3	22.6	139.4	17.3	23.7	116.0	465.3	50.2	24.2	31.0	105.4	570.7
Net L&A to Customers	121.8	17.9	96.4	11.6	8.0	18.6	274.3	22.4	20.1	1.8	44.3	318.6
Customer Deposits	136.9	13.7	97.1	23.2	21.6	6.7	299.2	24.9	24.3	6.6	55.8	355.0
RWAs	34.7	20.4	75.7	8.6	9.1	36.1	184.6	47.6	9.7	7.6	64.9	249.5
Adj. RoE (%)[2,4]	**27.3%**	**9.2%**	**11.2%**	**5.1%**	**16.3%**	**(4.4%)**	**10.9%**	**n.m**	**n.m**	**n.m**	**n.m**	(9.4%)
Adj. Cost : Income ratio (%)[2,3]	57%	67%	51%	83%	39%	119%	63%	n.m	48%	n.m	n.m	76%

[1] Central items include unallocated costs and assets which principally comprise volatile items under IFRS and balances in relation to Citizens and international private banking
[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 CET 1 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). * Due to rounding the total does not cast

Q1 2016 – P&L

(£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Adjusted income[1]	2,814	3,534	(20%)	2,884	(2%)
Total income	**3,064**	**3,519**	**(13%)**	**2,484**	**+23%**
Adj. operating expenses[2]	**(2,151)**	**(2,308)**	**(7%)**	**(2,525)**	**(15%)**
Restructuring costs	(238)	(447)	(47%)	(614)	(61%)
Litigation & conduct costs	(31)	(856)	(96%)	(2,124)	(99%)
Write-down of goodwill	-	-	+0%	(498)	(100%)
Operating expenses	**(2,420)**	**(3,611)**	**(33%)**	**(5,761)**	**(58%)**
Impairment (losses) / releases	(223)	129	n.m	327	n.m
Operating profit / (loss)	**421**	**37**	**n.m**	**(2,950)**	**(114%)**
Other items	(1,389)	(496)	n.m	210	n.m
Attributable profit / (loss)	**(968)**	**(459)**	**+111%**	**(2,740)**	**(65%)**
Key metrics					
Net interest margin	2.15%	2.15%	+0bps	2.10%	+5bps
Return on tangible equity	(9.6%)	(4.3%)	(5ppts)	(26.5%)	+17ppts
Adj. return on tangible equity[1,2]	(9.4%)	7.4%	(17ppts)	6.6%	(16ppts)
Cost-income ratio	79%	103%	(24ppts)	232%	(153ppts)
Adj. cost-income ratio[1,2]	76%	65%	+11ppts	88%	(12ppts)

Q1 2016 vs. Q1 2015

- Attributable loss of £968m; operating profit of £421m
- Income down 13% principally driven by CIB and Capital Resolution
- NIM of 2.15%, up 5bps Q/Q, stable Y/Y
- Adj. operating expenses down 7% Y/Y
- Impairment charge of £223m, includes a £226m provision relating to the shipping portfolio

(1) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals
(2) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill

Q1 2016 – Balance sheet

Customer balances (£bn)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Funded assets	571	714	(20%)	553	+3%
Net loans & advances to customers	317	333	(5%)	306	+4%
Customer deposits	352	349	+1%	343	+3%
Liquidity and funding					
Loan-to-deposit ratio (%)	90%	95%	(5ppts)	89%	+1ppts
Liquidity coverage ratio (%)	121%	112%	+9ppts	136%	(15ppts)
Liquidity portfolio (£bn)	157	157	+0%	156	+1%
Capital & leverage					
Leverage exposure (£bn)	728	937	(22%)	703	+4%
Leverage ratio (%)	5.3%	4.3%	+1ppts	5.6%	(0ppts)
CET1 capital (£bn)	36.4	40.1	(9%)	37.6	(3%)
CET1 ratio (%)	14.6%	11.5%	+3ppts	15.5%	(1ppts)
RWAs (£bn)	249.5	348.6	(28%)	242.6	+3%
TNAV					
TNAV per share (p)	351p	371p	(20p)	352p	(1p)
Tangible equity (£bn)	40.9	42.7	(4%)	40.9	0%

Q1 2016 vs. Q4 2015

- Funded assets up 3% to £571bn
- Leverage exposure up 4% at £728bn
- RWAs up 3% driven by strong loan growth, market volatility and exchange rate movements
- LDR ratio – 90%, down 5ppts Y/Y and up 1ppts Q/Q
- LCR ratio – 121%
- TNAV per share stable at 351p

UK Personal & Business Banking

P&L (£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Total income	**1,275**	**1,314**	**(3%)**	**1,254**	**+2%**
Adj. operating expenses[1]	(728)	(709)	+3%	(877)	(17%)
Restructuring costs	(22)	(30)	(27%)	(87)	(75%)
Litigation & conduct costs	-	(354)	(100%)	(607)	(100%)
Operating expenses	**(750)**	**(1,093)**	**(31%)**	**(1,571)**	**(52%)**
Impairment (losses) / releases	(16)	(20)	(20%)	27	n.m
Operating profit / (loss)	**509**	**201**	**+153%**	**(290)**	**(276%)**
Key metrics					
Net interest margin	3.02%	3.27%	(25bps)	3.03%	(1bps)
Return on equity[2]	26.1%	8.4%	+18ppts	(16.8%)	+43ppts
Adj. return on equity[1,2,3]	27.3%	27.2%	+0ppts	19.8%	+8ppts
Cost-income ratio	59%	83%	(24ppts)	125%	(66ppts)
Adj. cost-income ratio[1,3]	57%	54%	+3ppts	70%	(13ppts)
Balance sheet (£bn)					
RWAs	34.7	35.9	(3%)	33.3	+4%

Q1 2016 vs. Q1 2015

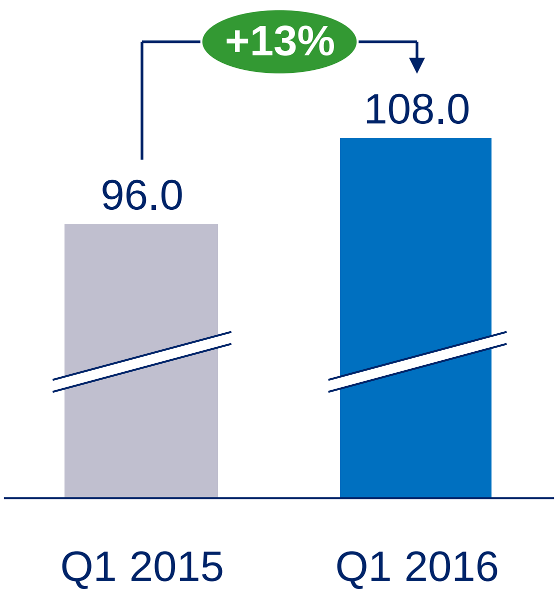
- Total income of £1.3bn, down 2% excluding the impact of business transfers
- Adj. operating expenses increased 3% reflecting increased technology investment in the business
- Adjusted RoE of 27.3%
- RWAs up 4% Q/Q
- NIM was stable Q/Q

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 15% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

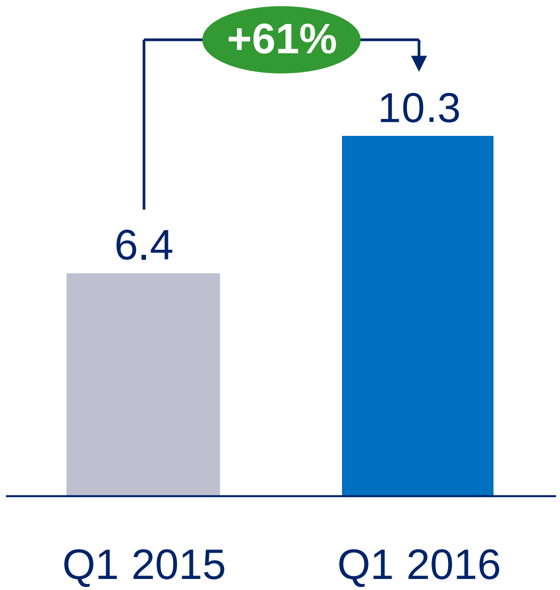
Supporting growth - Personal and Business Banking

UK Personal & Business Banking – Mortgages

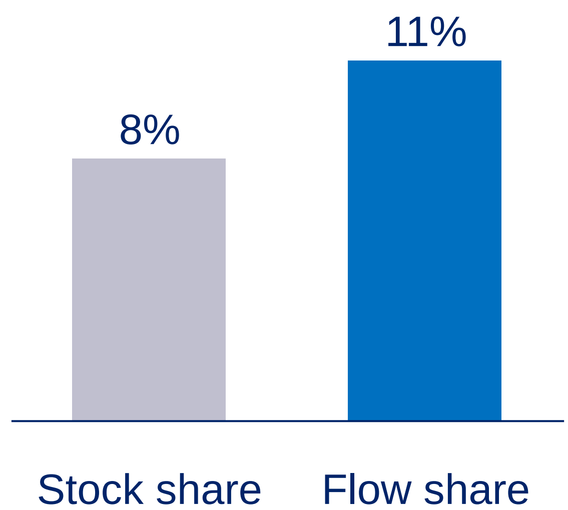
Gross mortgage lending to customers (£bn)



Applications (£bn)



RBS Q1 2016 market share[1]



- Growing mortgages ~6 times faster than the market with Q1 2016 Y/Y growth of 13% vs. market growth of ~2%[2]
- Gross new mortgage lending almost doubled from Q1'15 to £7.0bn

(1) Based on January and February 2016 data
(2) 12 month growth rate based on Feb 15 to Feb 16 from the BoE website (statistical database) – Monthly amounts outstanding of total sterling net secured lending to individuals (in sterling millions) not seasonally adjusted

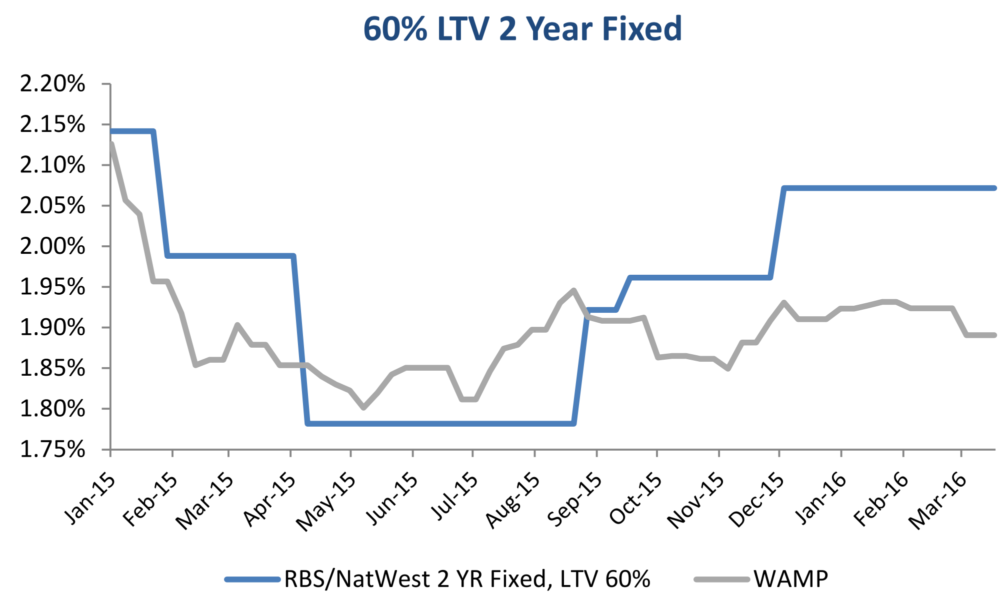
Mortgages – competing on service, not price

- Service: Nearly 1,000 mortgage advisors supporting our customers, up over 20% since the beginning of 2015

- Online mortgage renewals more than doubled to £3.0bn vs. Q1 2015

- Retention: We have a clear customer led retention strategy which in combination with gross lending is helping drive positive net lending growth

RBS/ Natwest 60% LTV 2yr Fixed vs. Weighted Average Market Price ("WAMP")



Strong risk-adjusted returns without compromising on credit quality and maintaining price discipline

Ulster Bank RoI

P&L (€m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Total income	**205**	**185**	**+11%**	**162**	**+27%**
Adj. operating expenses[1]	(136)	(136)	+0%	(160)	(15%)
Restructuring costs	(8)	1	n.m	8	n.m
Litigation & conduct costs	-	-	+0%	5	(100%)
Operating expenses	**(144)**	**(135)**	**+7%**	**(147)**	**(2%)**
Impairment (losses) / releases	17	33	(48%)	14	+21%
Operating profit / (loss)	**78**	**83**	**(6%)**	**29**	**+169%**
Key metrics					
Net interest margin	1.75%	1.66%	+9bps	1.45%	+30bps
Return on equity[2]	8.8%	10.1%	(1ppts)	3.0%	+6ppts
Adj. return on equity[1,2,3]	9.2%	9.9%	(1ppts)	1.4%	+8ppts
Cost-income ratio	70%	72%	(2ppts)	92%	(22ppts)
Adj. cost-income ratio[1,3]	67%	73%	(6ppts)	101%	(34ppts)
Balance sheet (€bn)					
RWAs	25.7	28.2	(9%)	26.4	(3%)

Q1 2016 vs. Q1 2015

- Total income up 11%; excluding the benefit of asset disposals income was more stable driven by deposit re-pricing and new business lending
- NIM was 1.75%, up from 1.66%
- Adj. operating expenses were broadly stable at €136m, despite a €6m increase in regulatory levies
- A non-recurring profit of €28m relating to asset disposals has been recognised in Q1 2016
- Adj. RoE of 9.2%
- Tracker mortgage book L&As reduced by a further €0.9bn to €11.6bn

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 11% (previously 13%) of the monthly average of segmental RWAes, assuming 15% tax rate.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Commercial Banking

RBS

P&L (£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Total income	**853**	**789**	**+8%**	**797**	**+7%**
Adj. operating expenses[1]	(436)	(415)	+5%	(584)	(25%)
Restructuring costs	-	1	n.m	(54)	n.m
Litigation & conduct costs	(2)	-	+0%	8	(125%)
Operating expenses	**(438)**	**(414)**	**+6%**	**(630)**	**(30%)**
Impairment (losses) / releases	(14)	1	n.m	(27)	(48%)
Operating profit / (loss)	**401**	**376**	**+7%**	**140**	**+186%**
Key metrics					
Net interest margin	1.88%	1.89%	(1bps)	1.82%	+6bps
Return on equity[2]	11.1%	12.4%	(1ppts)	3.1%	+8ppts
Adj. return on equity[1,2,3]	11.2%	12.4%	(1ppts)	4.6%	+7ppts
Cost-income ratio	51%	52%	(1ppts)	79%	(28ppts)
Adj. cost-income ratio[1,3]	51%	53%	(2ppts)	73%	(22ppts)
Balance sheet (£bn)					
Net loans & advances to customers	96.4	86.2	+12%	91.3	+6%
RWAs	75.7	63.1	+20%	72.3	+5%

Q1 2016 vs. Q1 2015

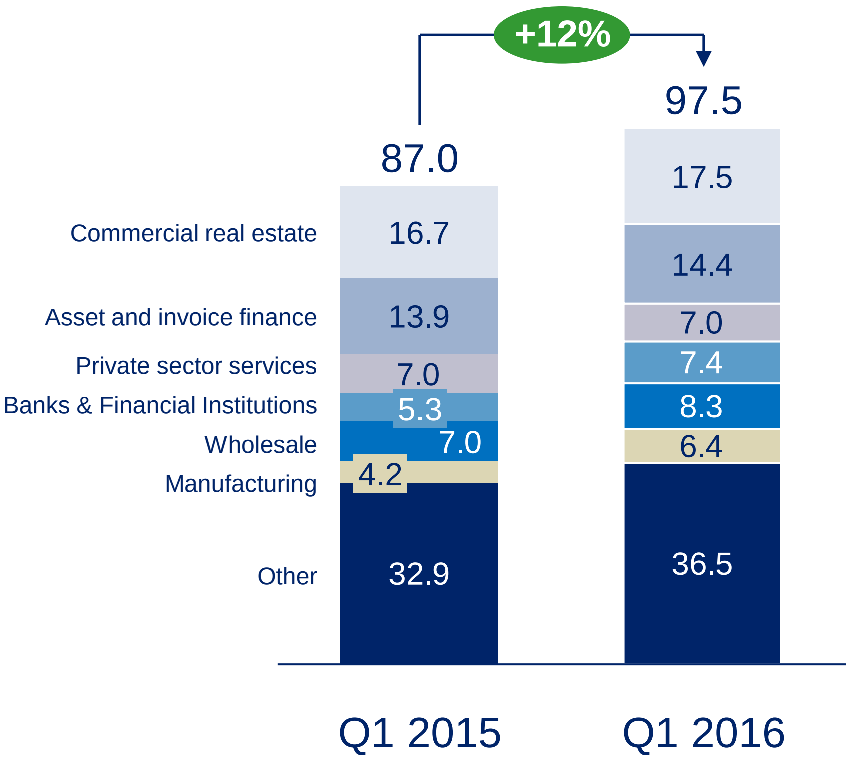
- Total income was £853m, up 8% reflecting increased asset volumes supplemented by the impact of business transfers
- Adj operating expenses increased 5% from Q1 2015 due to the impact of business transfers but fell 25% Q/Q due to the UK bank levy charge in Q4 of £103m and further progress in cost reduction
- Net impairment losses remained at low levels and were £14m vs. a release of £1m in Q1 2015
- Net loans and advances increased £4.0bn from Q1 2015, adjusting for the impact of transfers, principally reflecting increased drawdowns by large UK and Western European corporate customers
- Adj. RoE of 11.2%

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 11% (previously 13%) of the monthly average of segmental RWAes, assuming 28% tax rate; previously 25%.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Supporting growth - Commercial Banking

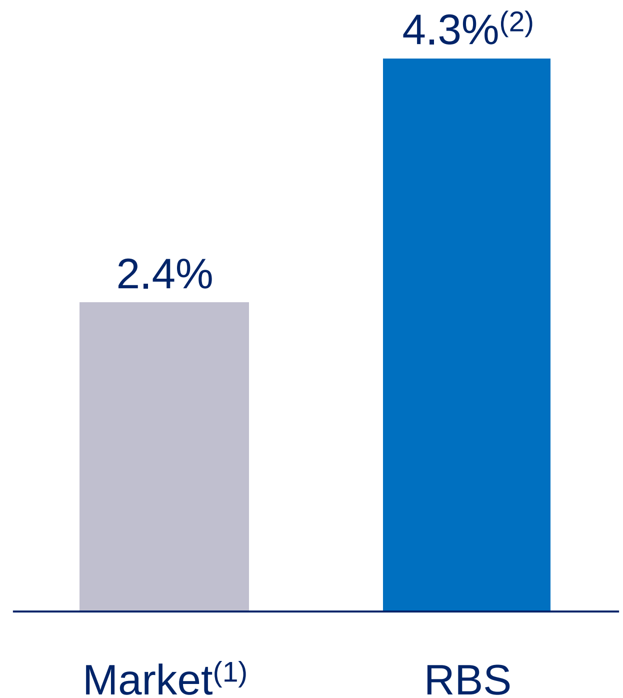
Positive gross lending

Gross L&As to customers (£bn)



Net UK Commercial lending growth

Q1 2016 vs. Q1 2015



- Net loans and advances, adjusting for the impact of transfers, increased £4.0bn vs. Q1 2015 principally driven by large UK and Western European corporates

(1) Lending to PNFCs (Private Non-Financial Corporations) Source : BoE Statistical Release Feb 2016 - Money and Credit Table M: Loans to non-financial businesses 12m %change
(2) Excluding business transfers from CIB

Private Banking

RBS

P&L (£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Total income	**165**	**165**	**+0%**	**158**	**+4%**
Adj. operating expenses[1]	(137)	(123)	+11%	(159)	(14%)
Restructuring costs	(16)	3	n.m	5	n.m
Litigation & conduct costs	-	(2)	(100%)	(10)	(100%)
Write-down of goodwill	-	-	+0%	(498)	(100%)
Operating expenses	**(153)**	**(122)**	**+25%**	**(662)**	**(77%)**
Impairment (losses) / releases	(2)	1	n.m	(12)	n.m
Operating profit / (loss)	**10**	**44**	**(77%)**	**(516)**	**(102%)**
Key metrics					
Net interest margin	2.80%	2.86%	(6bps)	2.67%	(13bps)
Return on equity[2]	1.5%	7.8%	(6ppts)	(118.9%)	+120ppts
Adj. return on equity[1,2,3]	5.1%	7.5%	(2ppts)	(4.4%)	+10ppts
Cost-income ratio	93%	74%	+19ppts	419%	(326ppts)
Adj. cost-income ratio[1,3]	83%	75%	+8ppts	101%	(18ppts)
Balance sheet (£bn)					
RWAs	8.6	8.4	+2%	8.7	+1%

Q1 2016 vs. Q1 2015

- Total income was £165m, stable as the benefit of an increase in NIM Q/Q has been offset by lower investment and transactional income
- Adj. operating expenses were up 11% at £137m reflecting further investment in infrastructure, partially offset by reduced staff costs
- Q1 2016 operating profit £10m, 77% lower
- Adjusted RoE of 5.1%

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 15% of the monthly average of segmental RWAes, assuming 28% tax rate;
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

RBS International

P&L (£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Total income	**90**	**93**	**(3%)**	**95**	**(5%)**
Adj. operating expenses[1]	(35)	(38)	(8%)	(41)	(15%)
Restructuring costs	(1)	(2)	n.m	1	n.m
Operating expenses	**(36)**	**(40)**	**(10%)**	**(40)**	**(10%)**
Impairment (losses) / releases	(2)	(2)	+0%	-	n.m
Operating profit / (loss)	**52**	**51**	**+2%**	**55**	**(5%)**
Key metrics					
Net interest margin	1.43%	1.49%	(6bps)	1.49%	(6bps)
Return on equity[2]	16.0%	18.8%	(3ppts)	19.1%	(3ppts)
Adj. return on equity[1,2,3]	16.3%	19.5%	(3ppts)	18.7%	(2ppts)
Cost-income ratio	40%	43%	(3ppts)	42%	(2ppts)
Adj. cost-income ratio[1,3]	39%	41%	(2ppts)	43%	(4ppts)
Balance sheet (£bn)					
RWAs	9.1	7.9	+15%	8.3	+10%

Q1 2016 vs. Q1 2015

- Total income of £90m, down 3% mainly due to lower deposit margins partially offset by increased asset volumes
- Adj. operating expenses were down 8%
- Operating profit up 2%
- Adj. RoE of 16.3%
- Net loans and advances increased by £0.7bn to £7.9bn Y/Y reflecting balance draw-downs in the corporate lending portfolio

(1) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill.
(2) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 12% of the monthly average of segmental RWAes, assuming 10% tax rate.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

Corporate & Institutional Banking

RBS

P&L (£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Rates	114	222	(49%)	136	(16%)
Currencies	144	90	+60%	95	+52%
Financing	49	155	(68%)	23	+113%
Banking/ other	(30)	(25)	+20%	(2)	n.m
Business transfers to CB	-	42	+0%	-	+0%
Adjusted income(1)	**277**	**484**	**(43%)**	**252**	**+10%**
Own credit adjustment	64	46	+39%	(66)	n.m
Total income	**341**	**530**	**(36%)**	**186**	**+83%**
Adj. operating expenses(2)	(331)	(392)	(16%)	(364)	(9%)
Restructuring costs	(12)	(91)	(87%)	(62)	(81%)
Litigation & conduct costs	(18)	(334)	(95%)	(5)	+260%
Operating expenses	**(361)**	**(817)**	**(56%)**	**(431)**	**(16%)**
Impairment (losses) / releases	-	8	(100%)	-	+0%
Operating profit / (loss)	**(20)**	**(279)**	**(93%)**	**(245)**	**(92%)**
Key metrics					
Return on equity(3)	(2.6%)	(13.3%)	+11ppts	(15.1%)	+13ppts
Adj. return on equity(1,2,3)	(4.4%)	3.0%	(7ppts)	(7.6%)	+3ppts
Cost-income ratio	106%	154%	(48ppts)	232%	(126ppts)
Adj. cost-income ratio(1,2)	119%	81%	+38ppts	144%	(25ppts)
Balance sheet (£bn)					
RWAs	36.1	43.8	(18%)	33.1	+9%

Q1 2016 vs. Q1 2015

- Adjusted income was down 43% to £277m, driven by reductions in Rates and Financing reflecting difficult market conditions and the reduced scale of the business
- Adj. operating expenses fell by 16% to £331m as business reshaping and headcount reductions continued
- The operating loss reduced £259m to £20m, driven primarily by lower conduct and litigation costs

(1) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
(2) Excluding restructuring costs, litigation and conduct costs and write-down of goodwill
(3) Return on equity is based on segmental operating profit after tax adjusted for preference share dividends divided by average notional equity based on 15% of the monthly average of segmental RWAes, assuming 28% tax rate.

Capital Resolution

P&L (£m)	Q1 2016	Q1 2015	vs. Q1 2015	Q4 2015	vs. Q4 2015
Adjusted income[(1)]	**51**	**407**	**(87%)**	**(233)**	**(122%)**
Of which... disposal losses	(2)	13	n.m	(180)	n.m
Total income	**153**	**458**	**(67%)**	**(262)**	**(158%)**
Adj. operating expenses[(2)]	(232)	(409)	(43%)	(394)	(41%)
Restructuring costs	(16)	(200)	n.m	(104)	n.m
Litigation & conduct costs	(10)	(166)	n.m	(1,498)	n.m
Operating expenses	**(258)**	**(775)**	**(67%)**	**(1,996)**	**(87%)**
Impairment (losses) / releases	(196)	145	(235%)	356	(155%)
Operating profit / (loss)	**(301)**	**(172)**	**+75%**	**(1,902)**	**(84%)**
Balance sheet (£bn)					
Funded assets	50.2	108.3	(54%)	53.4	(6%)
Risk elements in lending	2.2	10.4	(79%)	3.4	(35%)
Loan-to-deposit ratio (%)	94%	161%	(67ppts)	100%	(6ppts)
Provision coverage	48%	70%	(22ppts)	67%	(19ppts)
RWAs	47.6	84.3	(44%)	49.0	(3%)
RWAe[(3)]	48.4	90.1	(46%)	50.3	(4%)

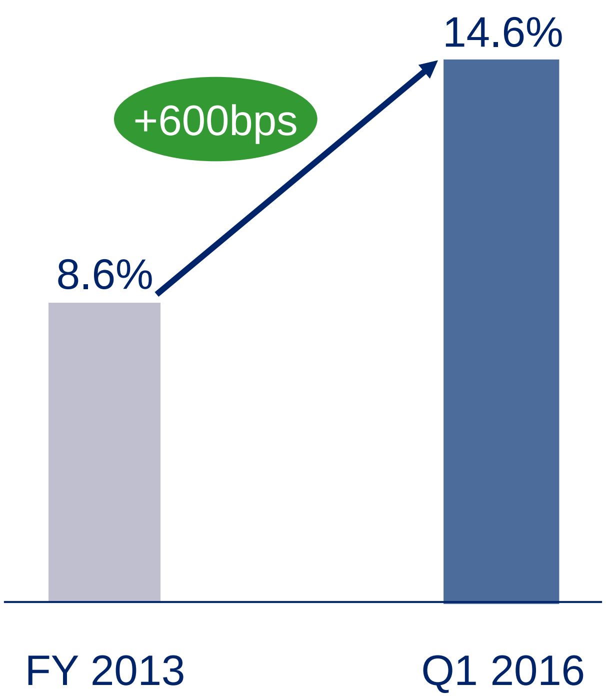
Q1 2016 vs. Q1 2015

- Adjusted income of £51m reflecting the reduced scale of the business
- Adj. operating expenses fell 43% to £232m
- Shipping portfolio impairment charge of £226m
- RWAs reduced by £37bn to £47bn Q1 2016 vs. Q1 2015 primarily due to run-off and loan portfolio disposals

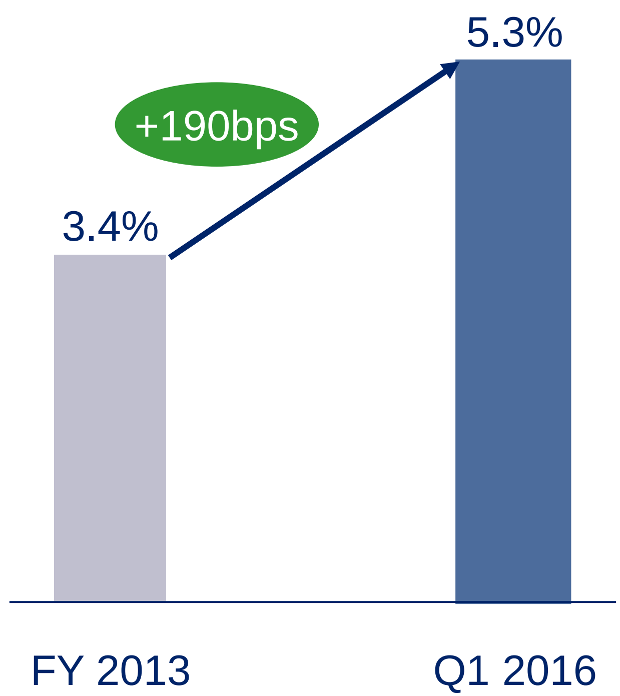
(1) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
(2) Excluding restructuring costs , litigation and conduct costs and write-down of goodwill.
(3) RWAes = risk-weighted assets after capital deductions

Balance sheet – resilience

CET1 Ratio: 13% Target

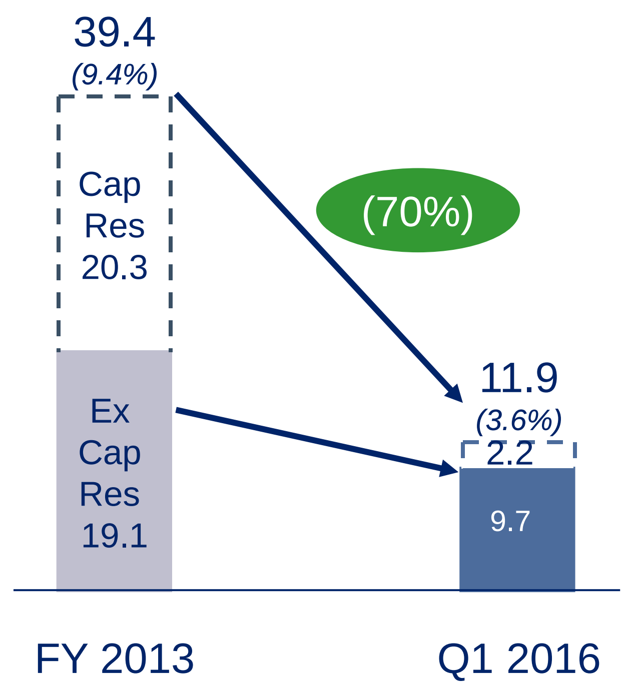


Leverage Ratio



REILs (£bn)

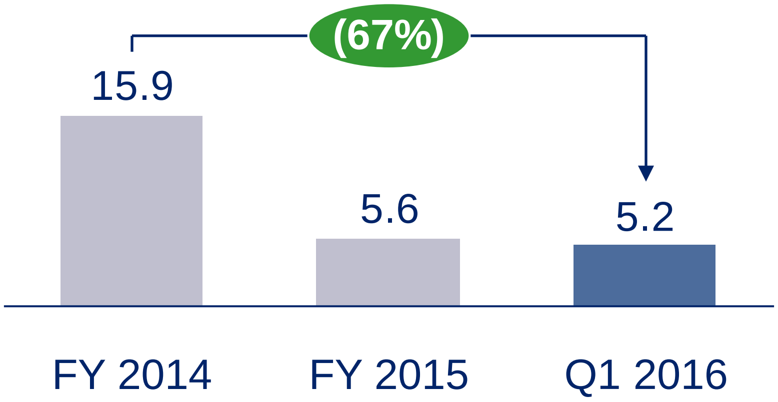
(as % of Total Gross L&As)



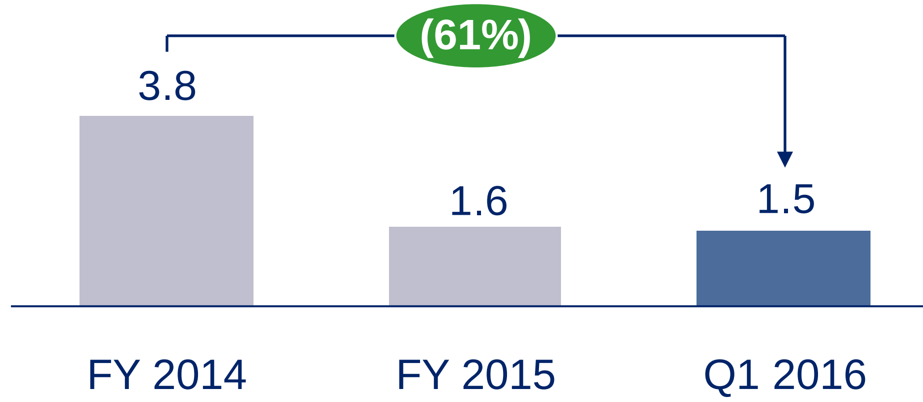
- Excluding Capital Resolution REILs were 3.2% of Total Gross L&As as at Q1 2016

Balance sheet – selected exposures

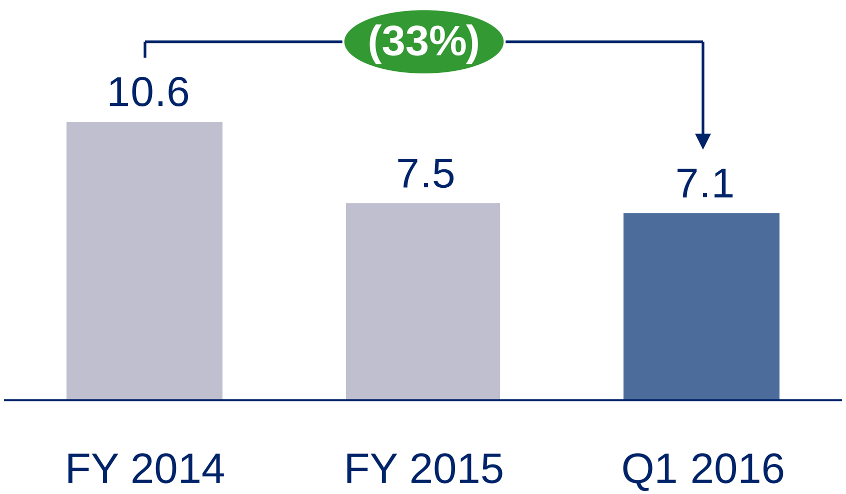
Oil & Gas[1] (£bn)



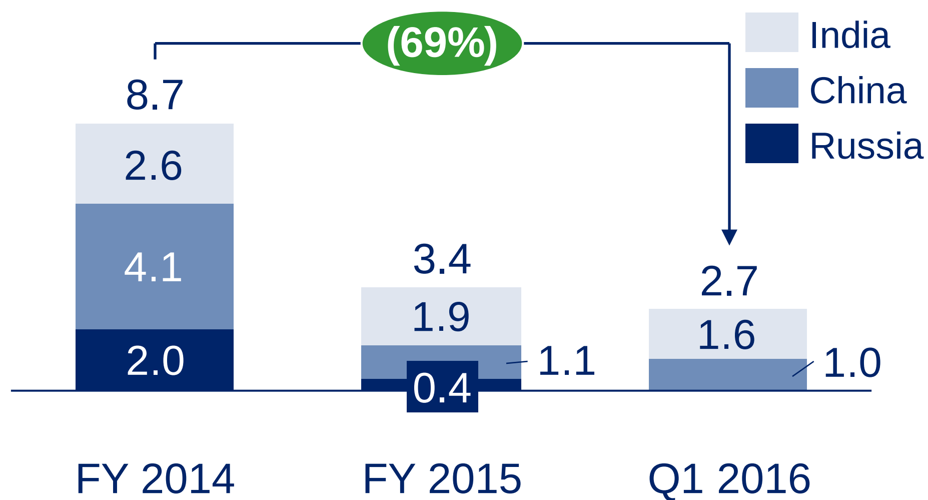
Mining and Metals[1] (£bn)



Shipping[1] (£bn)



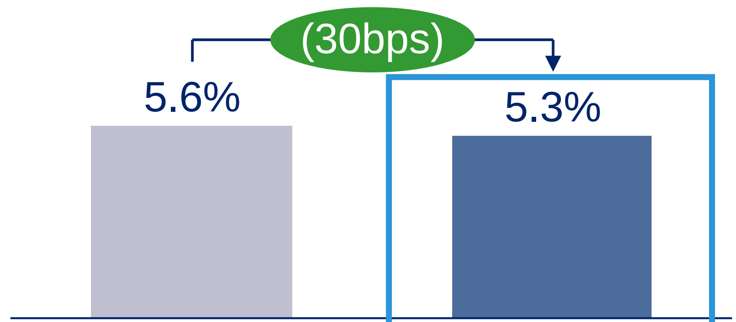
Emerging Markets[2] (£bn)



[1] Exposure at default (EAD) basis [2] Total exposure basis

Leverage ratio – key drivers

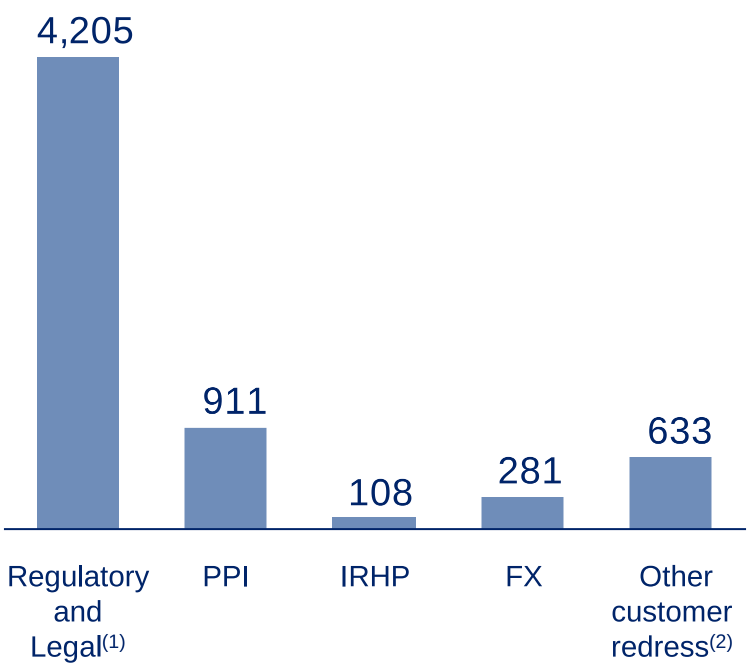
Leverage ratio (%)



(£bn)	Q4 2015	Q1 2016	% change
CET 1 capital	37.6	36.4	(3.2%)
AT1 capital	2.0	2.0	-
Tier 1 Capital	39.6	38.4	(3.0%)
Total assets	815.4	882.9	8.3%
Netting of derivatives	(258.6)	(303.5)	+17.4%
Securities financing transactions	5.1	7.1	+32.9%
Regulatory deductions & other adjustments	1.5	3.6	140.0%
Potential future exposures on derivatives	75.6	75.9	+0.4%
Undrawn commitments	63.5	62.3	(1.9%)
Leverage exposure	**702.5**	**728.3**	**+3.7%**

Litigation and conduct

End of Q1 2016 provisions (£m)



Litigation and conduct provision: £6.1bn, as at Q1 2016

	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
FX and other market related investigations and claims	■ On 15th March 2016, the SFO announced that it was closing its investigation, having concluded that, based on the information and material obtained, there was insufficient evidence for a realistic prospect of conviction
UK class action lawsuit over 2008 capital raising	■ Trial of preliminary issues scheduled to commence in Q1 2017
Various UK customer redress issues	Includes: ■ PPI: No material developments since Q4 2015 where a provision of £0.5bn taken for PPI to deal with time barring and the implications of the Plevin judgement
FCA SME treatment review	■ Fully co-operating with the ongoing FCA review ■ FCA has promontory final document

(1) Includes Other regulatory provisions and Litigation as per Note 4 p.33 of the IMS
(2) Closing provision primarily relates to investment advice and packaged accounts

Tangible Net Asset Value (TNAV) movements

	Q4 2015		
	£m	Shares in issue (m)	TNAV per share
Starting TNAV	40,943	11,625	352p
Profit for the period post tax[1]	361		2p[2]
Less: profit to NCI/ other owners	(1,309)		(11p)
o/w Dividend Access Share Final Dividend	*(1,193)*		*(10p)*
o/w Other dividends and NCI share of profit	*(116)*		*(1p)*
Other comprehensive income	896		8p
o/w Pension payment gross of tax	*(529)*		*(5p)*
o/w Cash flow hedging gross of tax	*946*		*8p*
o/w Other – gross	*574*		*6p*
o/w tax	*(95)*		*(1p)*
Less: OCI attributable to NCI / other owners	(50)		-
Proceeds of share issuance	122	37	1p
Other movements[3]	(71)		(1p)
	Q1 2016		
End of period TNAV	40,892	11,661	351p

(1) Profit for the period is pre non controlling interests and other owners dividends and excludes write-down of goodwill and other intangible assets.
(2) Rounded down for casting purposes, number is actually 2.57p
(3) Other reserve movements including intangibles.

Significant Items

(£m)		Q1 2016	Q4 2015	Q1 2015
Total Income		**3,064**	**2,484**	**3,519**
OCA		256	(115)	120
Gain / (loss) on redemption of own debt		-	(263)	-
Strategic disposals[1]		(6)	(22)	(135)
Adjusted Income		**2,814**	**2,884**	3,534
Of which… IFRS volatility		(356)	59	(123)
Disposal of AFS securities		2	-	(27)
Capital Resolution	Disposal losses	(2)	(180)	13
Commercial	Disposal losses	-	(34)	-
Ulster Bank RoI	Disposal gains[1]	22	-	-
Total Expenses		**(2,420)**	**(5,761)**	**(3,611)**
Restructuring[2]		(238)	(614)	(447)
o/w Williams & Glyn		(158)	(181)	(133)
Litigation & Conduct		(31)	(2,124)	(856)
Writedown of Goodwill		-	(498)	-
Adjusted Expenses		**(2,151)**	**(2,525)**	**(2,308)**
Bank levy		-	**(230)**	**-**
o/w UK PBB		-	(45)	-
o/w Ulster Bank RoI		-	(9)	-
o/w Commercial		-	(103)	-
o/w Private		-	(22)	-
o/w RBSI		-	(18)	-
o/w CIB		-	(24)	-
o/w Capital Resolution		-	(43)	-
o/w Central items		-	34	-
Impairments		**(223)**	**327**	**129**
Capital Resolution		(196)	356	145
o/w Shipping Portfolio		(226)	(83)	(59)

(1) Of which £11m is revenue and £11m is costs and impairments

Summary

Good business momentum in PBB and CPB

PBB & CPB net loans up 4% vs. Q4 2015

Operating expenses down £189m Y/Y ex. W&G build out[(1)]

Capital remains robust; CET1 ratio of 14.6%

RWAs up £6.9bn Q/Q given FX and market volatility increases

Committed to meet 2016 targets

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

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 uncertainty relating to the referendum on the UK’s membership of the European Union and the consequences arising from it; 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.

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.

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