

Personal & Business Banking (PBB)

Investor Roundtable

Les Matheson, Chief Executive Officer, PBB

27 June 2014

Forward Looking Statements

Certain sections in this presentation 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', 'believes', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

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Today's Speakers



Les Matheson, Chief Executive Officer



Stuart Haire, MD, Direct Bank



Moray McDonald, MD, Products



Mike Larkin, Finance Director

Agenda

Personal & Business: our new franchise

Focus on Personal & Business Banking

› Strategy

› Service

› Products

Financial performance & outlook

Summary

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Summary

Personal & Business Banking strategy

Our strategy remains unchanged and is defined by our ambition to be...

The #1 Personal and Business bank for customer trust and advocacy in the UK

Where we are going to operate

- A retail bank serving individuals, mass affluent and small business
- **Coverage** across all UK regions
- **Full range** of products
- Extensive **multi channel** distribution network

How we are going to win

- Obsessive about serving our customers
- **Simple** products, easy to buy and use
- **Fair**, transparent pricing
- **Multi-channel** access for all customers, tech-enabled
- Restoration of trust and loyalty
- **Easy access** to Business Bankers in branches

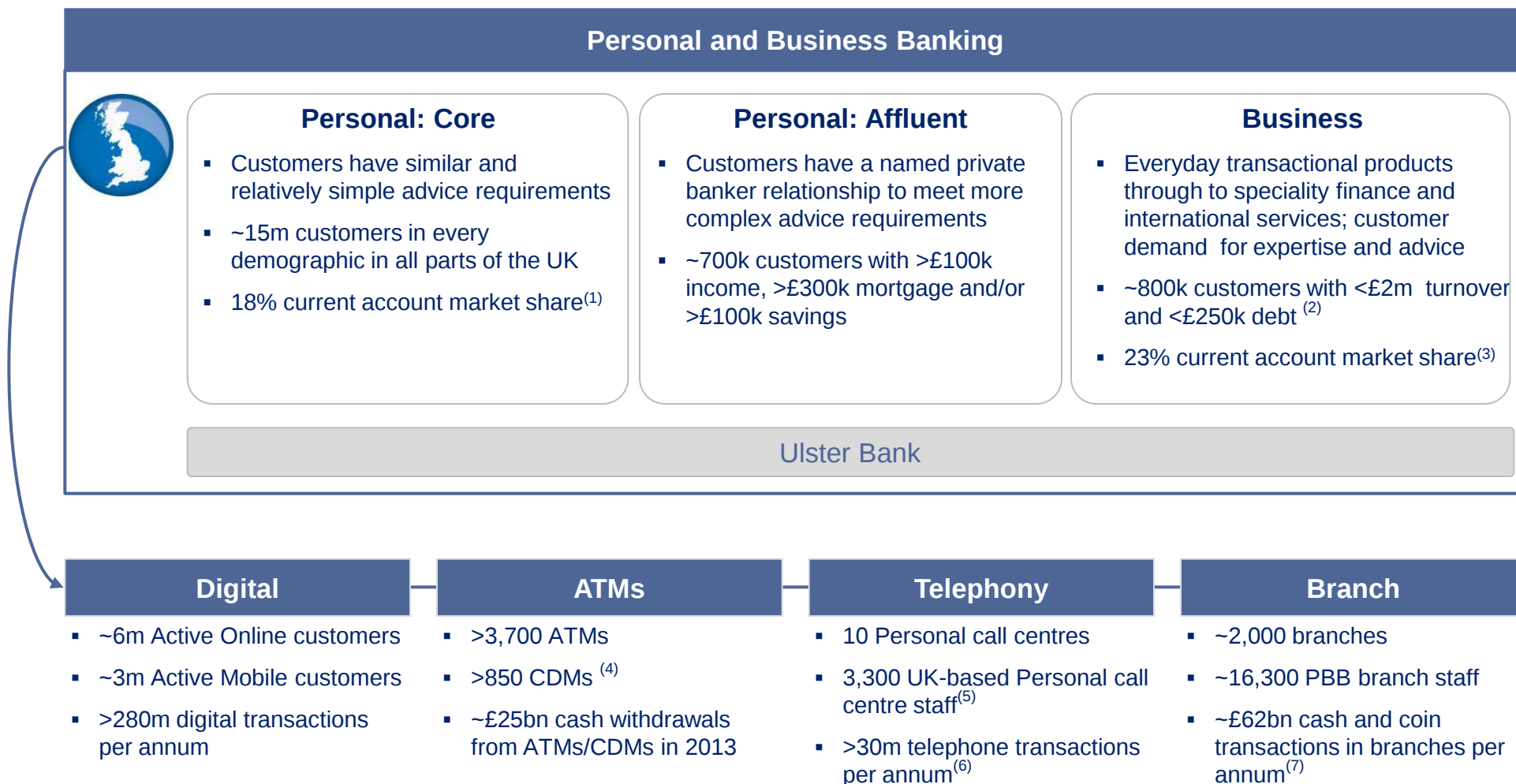
Capabilities required

- An organisation closer to our customers
- **Professional** and energised staff delivering consistent, high quality service
- Customer-led **innovation**
- Fast and simple processes
- Market-leading use of customer data and analytics
- Low and flexible cost base

We will differentiate on what our customers value most:

- Being easy to deal with
- Giving great customer service
- Acting as an expert and trusted advisor
- **Building a truly customer centric bank**

PBB has clear franchise and distribution strength...



All data is Mainland UK only and includes the business to be divested, Williams & Glyn, unless stated otherwise.. (1) GfK FRS GB current account share, RBS & NatWest, 6 months ending March 2014 (2) RBS and NatWest brands excluding Williams & Glyn (3) Charterhouse Research Business Banking Survey YEQ1 2014. (4) Cash & Deposit machines. (5) Call centre staff is service and sales staff excluding Webchat (6) Number of assisted calls, excludes calls that are handled by automated systems. (7) Cash and coin transactions include deposits and withdrawals over the counter, through Cash Deposit Machines and Business Quick Deposit cash deposits.

...and an experienced management team



Direct report of Les



Sits on Executive Committee



Les Matheson
CEO, Personal & Business Banking
(18 years)

(number of years industry experience)



Moray McDonald
MD, Products
(28 years)



Barry Connolly
MD, Customer Experience
(23 years)



Calvin O'Brien
CAO, PBB
Joining 7th July



Jane Howard
MD, Branch & Private
(34 years)



Mike Larkin
Director Finance, PBB
(25 years)



Ian Walters
MD, Business Banking
(28 years)



Louise Haggerty
Director HR, PBB
(29 years)



Stuart Haire
MD, Direct Bank
(13 years)



Adrian Haines
Head of Risk, PBB
(12 years)



Ian McLaughlin
MD, Specialist Banking
(21 years)



Lesley Richardson
Head of Personal & Business Banking
Advisory, Conduct & Regulatory Affairs
(27 years)

Note: Speaker biographies in Appendix

Agenda

Personal & Business: our new franchise

Focus on Personal & Business Banking

› Strategy

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Summary

PBB customers share a basic set of needs...

Basic needs	Make payments	Save money	Borrow money	Protect myself	Invest for the future
Individual circumstances	Need to pay my bills Need to pay my suppliers	Trying to save for my wedding Saving for a tax bill	Buying a house Investing to grow my business	Want to insure property against theft or damage	Planning for my retirement
Ubiquitous products	Current accounts Debit / credit cards Commercial card	Instant access / term savings Business deposit account	Mortgages Credit cards Loans Asset and invoice finance	Home, car, life and liability insurance	ISAs, SIPPs

Product requirements

Current a/c +Savings a/c +Debit Card +Loan +Credit Card +ISA +Insurance +Mortgage +Investments

Customer Lifecycle

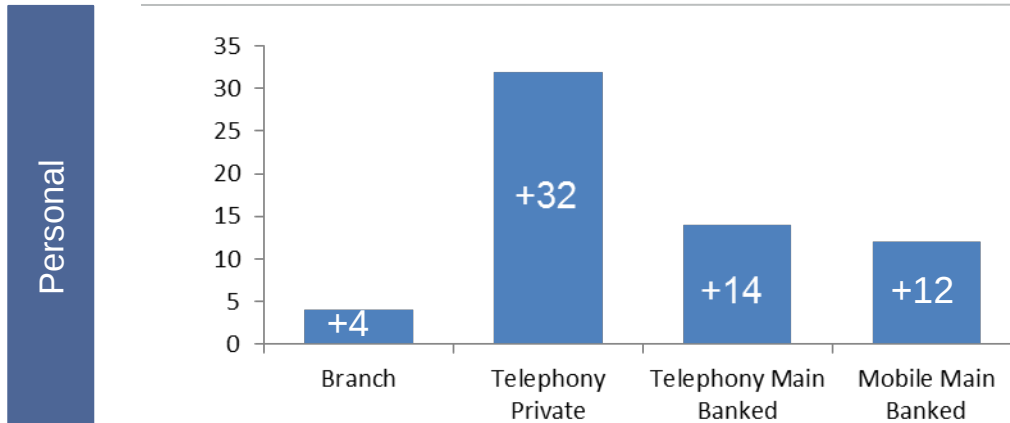


Likely touch points



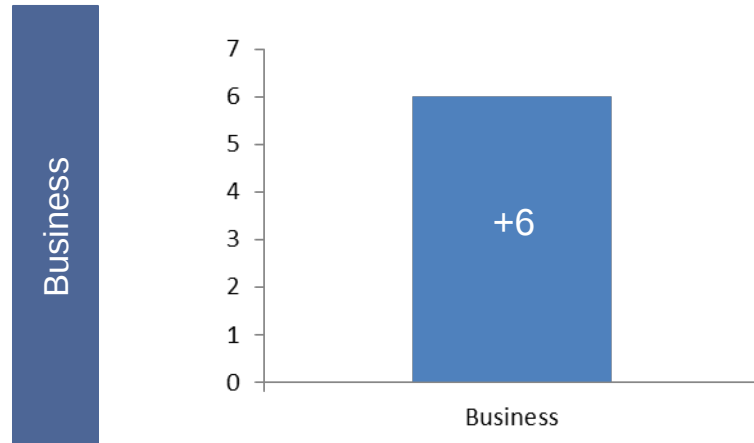
...and we are making progress – but with some way to go

Net Promoter Score (NPS) improvement in last 12 months^(1,2)



Identified drivers of customer advocacy⁽³⁾

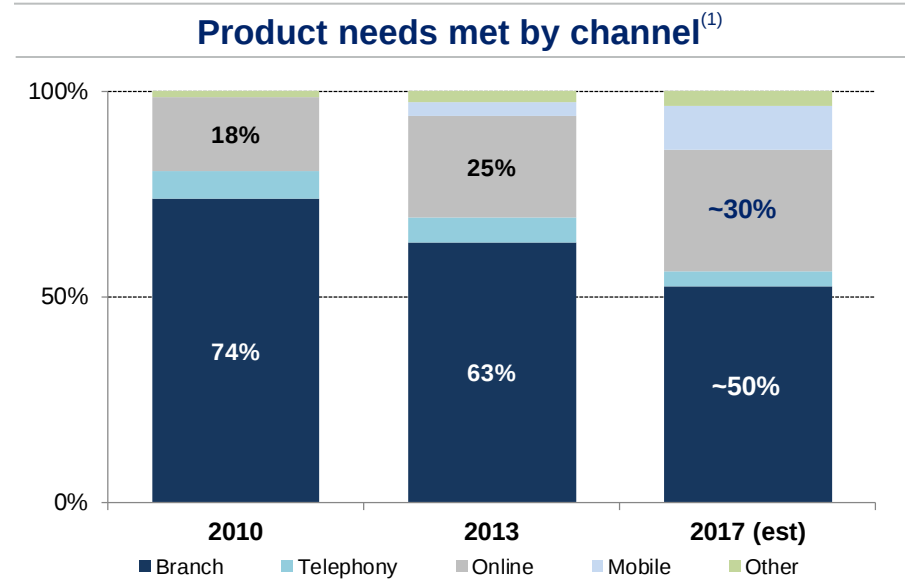
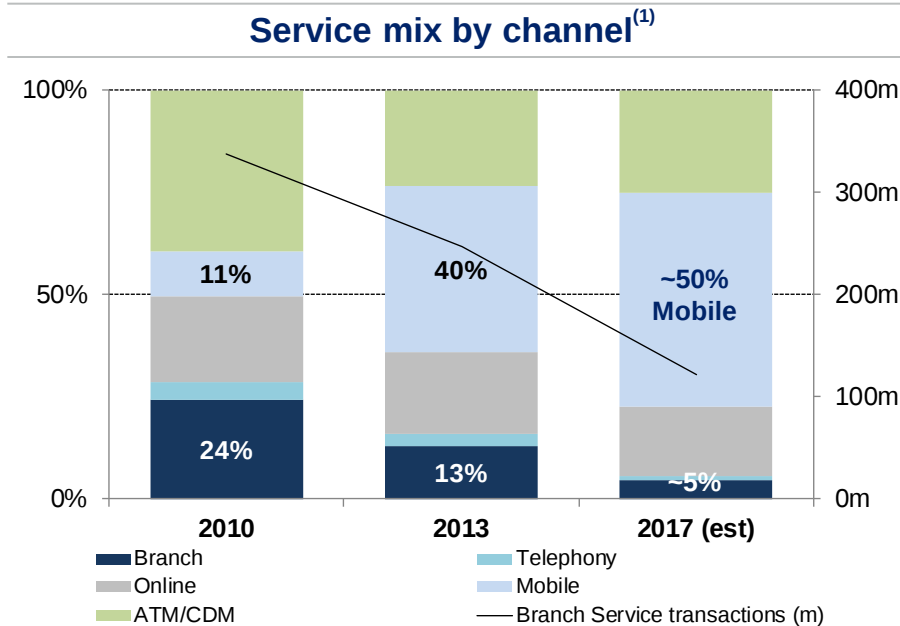
- Makes it easy to use
- Treats me fairly and honestly
- Treats me as an individual with genuine empathy
- Acts in my interests, not just theirs
- Gives me simple, relevant information



- It is easy to get hold of you and get the help I need
- I understand what I am paying and feel it is fair
- I know where to go when things go wrong and you deal with it quickly and sensitively
- You support me with my financial needs
- I hear from you regularly about how to help my business

(1) Personal: RBS Customer Relationship Study 3/6 month rolled data. (2) Business: NW customers who have had interaction with a relationship / business manager in last 12 months, Charterhouse Business Banking Survey, YE Q1 2013 and YE Q1 2014 (3) Advocacy drivers from internal analysis.

Customer behaviours are changing...



Growing proportion of digital transactions increase efficiency

More complex, higher value needs concentrated in Branch

Digital: PBB development is 'digital first': increasing number of products and services to match customer behaviours
On going work to improve resilience of digital platforms

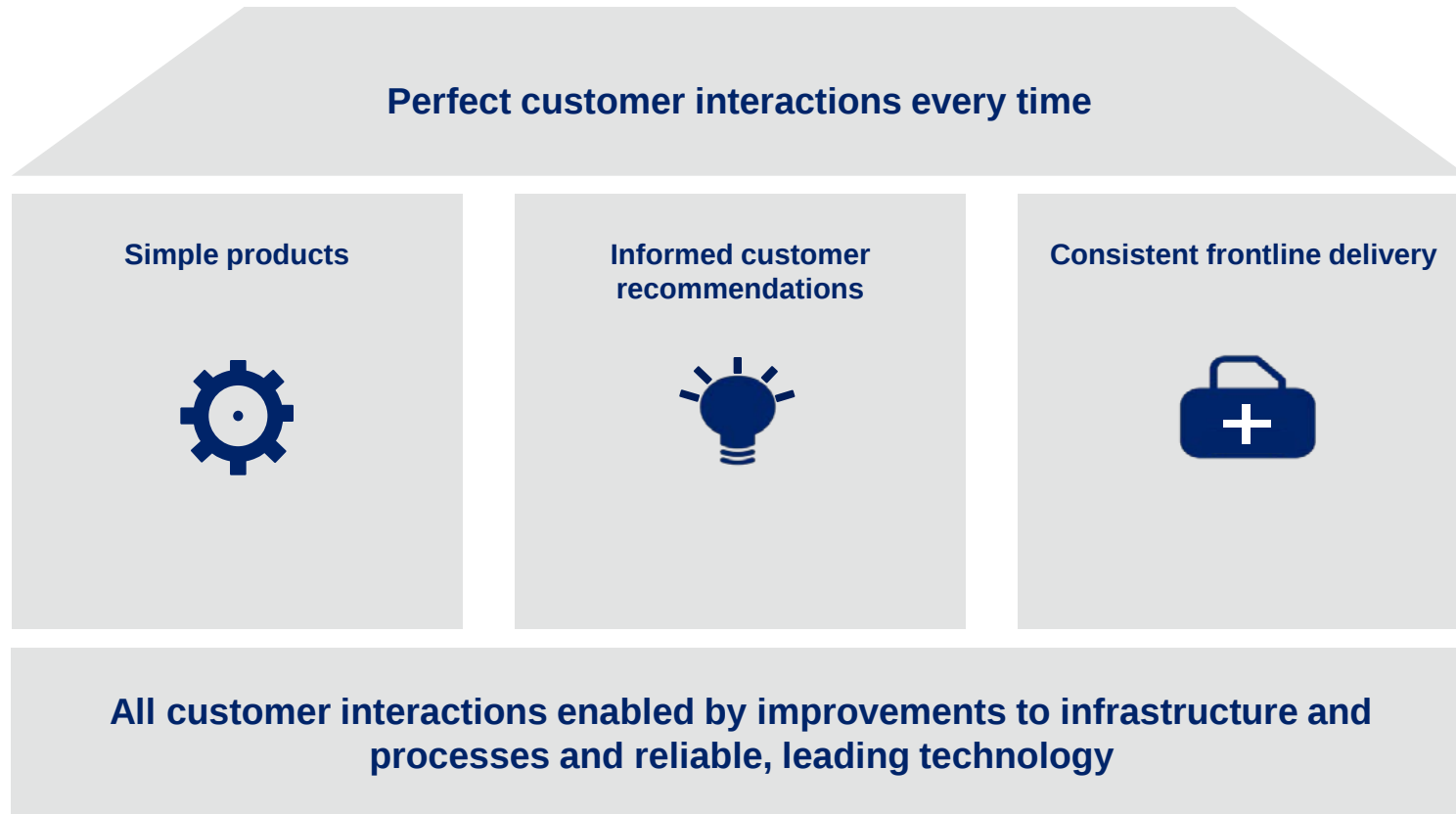
- Mobile: Single mobile app development programme for Personal and Business customers
New tablet technology for branch staff and customers
- Online: Continued investment to increase functionality

Telephony: Improving quality of telephony services, including via Private24
Delivering structured training to promote digital banking use

Branch: Increasing switch to self-service and provision of suitable advice

(1) Personal Banking Internal MI

...and our model is evolving with our customers



Simple products

Delivering a simple and transparent product set that's fairly priced, easy to understand and buy

On-sale product range simplified ⁽¹⁾

Personal product range projected to reduce by ~50% over 3 years...

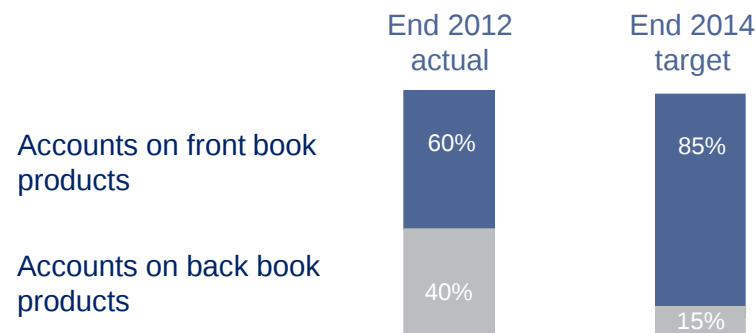
	End 2011 actual	End 2014 target	% reduction
Savings	23	5	78%
Insurance	14	6	57%

... while the Business product range is expected to reduce by ~60% (from 33 in 2011 to 14 in 2014)

Key initiative: Personal Savings...

- Instant Access: 11 on-sale products simplified to 1 product available across all channels
- ISA: 3m customers moved to the on-sale ISA product with 8 products removed from range
- £13bn ISA balances moved to the on-sale product with simplified pricing structure

Back book products disappearing... ⁽²⁾



...delivering a simpler, lower risk business model

Leading to....

- Frontline benefit** – Instant Access sales increased 50% post launch with £10bn balances attracted in first 15 months
- Customer benefit** – Overall 15% reduction in ISA complaints. ~65% of customers saw their ISA rate increase.
- Commercial benefit** - NIM improved

Achievements in Personal savings portfolio will be replicated in current accounts and credit cards

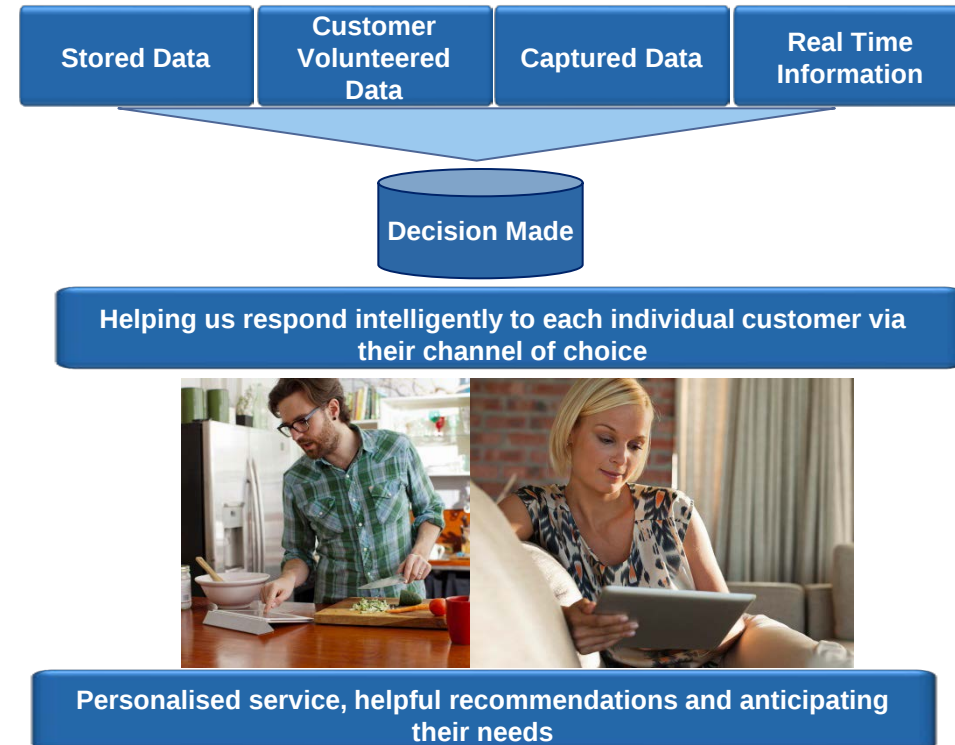
(1) Range of new products that can be opened by customers (front book)

(2) Percentages based on volumes of Personal core banking and credit products (Current accounts, Savings, Credit Cards, Loans and Mortgages)

Informed customer recommendations

Becoming accomplished at deploying our technology and data powers

- Leading data and IT capability that enables 'segment of one' approach to all interactions
- Customers will value our ability to:
 - Anticipate their needs
 - Always give them helpful advice
 - Always remember their last interaction
- Targeted investment in holistic digital propositions



Key initiatives to date...

- >20k Electronic Customer Reviews held each week, adding valuable customer data
- Overhaul of targeted prompt system
- Identified qualifying Personal & Business customers and offered them pre-approved loans through online banking
- Issued multi-channel prompts to 50k mortgage customers rolling off fixed rate deals in July

Leading to...

- Richer customer conversations: 25k+ needs and goals identified, 17k next steps agreed per week
- Branch staff using targeted prompts achieve double the sales per conversation – customer relevance is transformed
- Helped over 5k SMEs apply for a Small Business Loan online since launch
- Mortgage prompts doubled the customer interactions vs previous marketing approach

Consistent frontline delivery

Delivering a co-ordinated programme of coaching and tools to drive consistent performance

- Tackle the inconsistency in customer engagement, quality of customer conversations and staff capability
- Releasing frontline time to serve customers and increasing staff knowledge base
- Well trained staff that can demonstrate empathy and expertise with customers
- We want to be 'financial doctors' not 'financial shopkeepers'



Better trained and more confident people
Front line staff spending more time with customers
Repeatable and consistent customer interactions



Key initiatives to date....

- ~70 coaches deployed to front line
- Dedicated complaint handling coaching and tools with focus on resolution at first point of contact (FPOC)
- >500 initiatives implemented in "Simplifying Frontline Life" programme, freeing up more time to spend with customers

Leading to...

- 33% increase in needs met and 5% uplift in customer service in 'coached' branches
- First point of contact complaint resolution up by ~200%⁽¹⁾
- Uplift in unprompted customer compliments reflects increase in levels of front line ownership and follow up

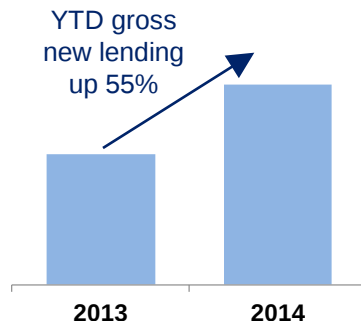
(1) First Point of Contact complaints resolutions 5 months to May 2014 versus same period in 2013

Business Banking

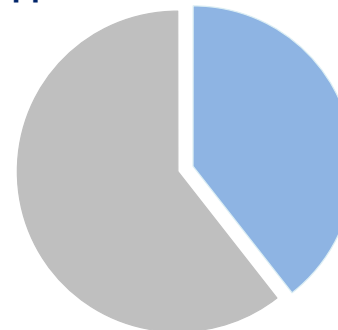
Key facts:

- #1 UK business banking franchise with 23% current account market share
- 22% share of business start-ups – up 4% in last 12 months ⁽¹⁾
- Gross new lending up ~55% May YTD vs same period in 2013
- An expanding broker channel; 200 new brokers registered
- NPS has improved in the relationship managed segment to a record high of 14%
- A strong position in a growing market – number of businesses projected to grow at 7% CAGR in medium term ⁽²⁾

Business momentum is already growing....



...with further opportunities to come from Personal & Business linkages



~40% of our business customers do not have an active Personal banking relationship with RBS ⁽³⁾

Opportunities for value creation:

- Increased referrals from Business to Personal already coming through
- Personal customers with a Business connection hold ~1 more Personal products on average ⁽³⁾
- Cost synergies will be a focus from the integration of Personal & Business
- Better outcome for customers – more Business Banking relationship managers in branches

⁽¹⁾ BBA

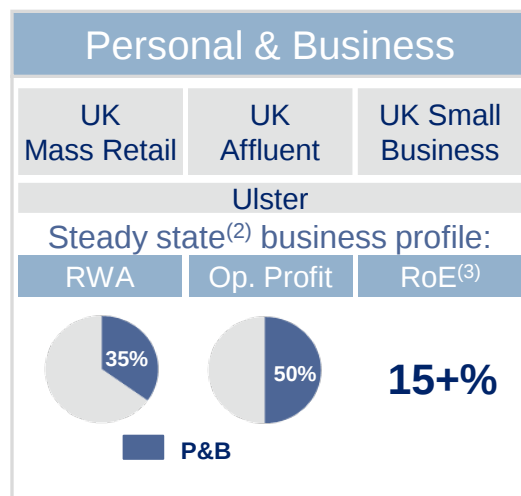
⁽²⁾ RBS economics

⁽³⁾ Internal analysis; business customer numbers excludes Clubs & Societies and accounts in Collections & Recoveries

All statistics shown for Business Banking excluding Williams & Glyn and Lombard/Asset Finance

PBB is a significant contributor to bank value

2013	Personal	Business	Ulster	Total PBB
Operating Profit / (Loss)	£0.7bn	£0.1bn	(£1.6bn)	(£0.8bn)
Add Exceptional Items ⁽¹⁾	£1.1bn	-	£1.0bn	£2.1bn
Adjusted Op Profit/(Loss)	£1.8bn	£0.1bn	(£0.6bn)	£1.3bn
RWA	£37bn	£14bn	£31bn	£82bn
L&A	£113bn	£15bn	£31bn	£159bn
Deposits	£115bn	£30bn	£22bn	£167bn
LDR	97%	46%	120%	91%



- Earnings stability and low capital usage imply sustainable, attractive returns
- PBB adjusted RoE for 2013 is 10%⁽³⁾
- PBB is a key contributor to the bank's financial health
- Rigorous cost control ensures positive jaws throughout plan period
- Investment in technology will increase customer engagement and protect market share

(1) Exceptional Items include conduct (£1.0bn), restructuring (£0.3bn) & RCR (£0.9bn) costs (2) Steady state defined as 2018 to 2020 (3) Adjusted return on equity excludes exceptional items & is based on 12% divisional RWAs at tax rate of 25%

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Personal & Business: our new franchise

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Summary

We are shifting branch activity towards advice

SHIFTING BRANCH ACTIVITY FROM

Transaction Centres

- Large footprint of branches
- Traditional counter, separating staff and customer
- Staff handle most transactions, limited cash and cheque automation
- Full service and needs based selling
- Multiple staff roles, single skilled
- Limited promotion of online banking



TO

Advice and Education Centres

- Points of presence where our customers live, work & travel
- Open counters enabling better customer interaction, private areas for advice and good conversations with customer
- Majority of simple transactions automated and self-service dominates
- Tailored advice to meet customers' financial needs e.g. mortgages, investments and business cash-flow management
- Active education and promotion of self service
- Business Banking sector focus & expertise



Simple & Easy Banking on the move

Our busiest branch

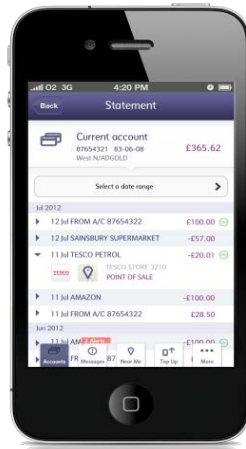
- Check my balance
- Make a transfer
- Pay a bill



Customers average one login per day ⁽¹⁾

How, what, and how much?

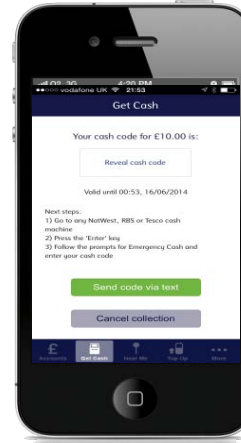
- Built to easily understand current finances
- No need to hunt – locate transactions with quick search functionality



Customers average 4 money moves per month ⁽¹⁾

I forgot my wallet!

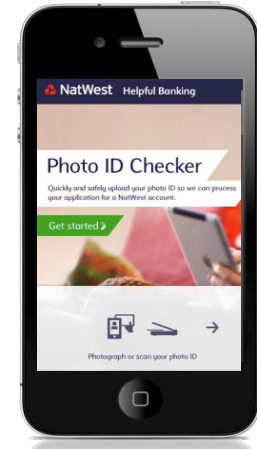
- Get Cash at ~8k ATMs/CDMs
- No card needed



120K Get Cash transactions per month ⁽²⁾

Identity check with a snap of a picture

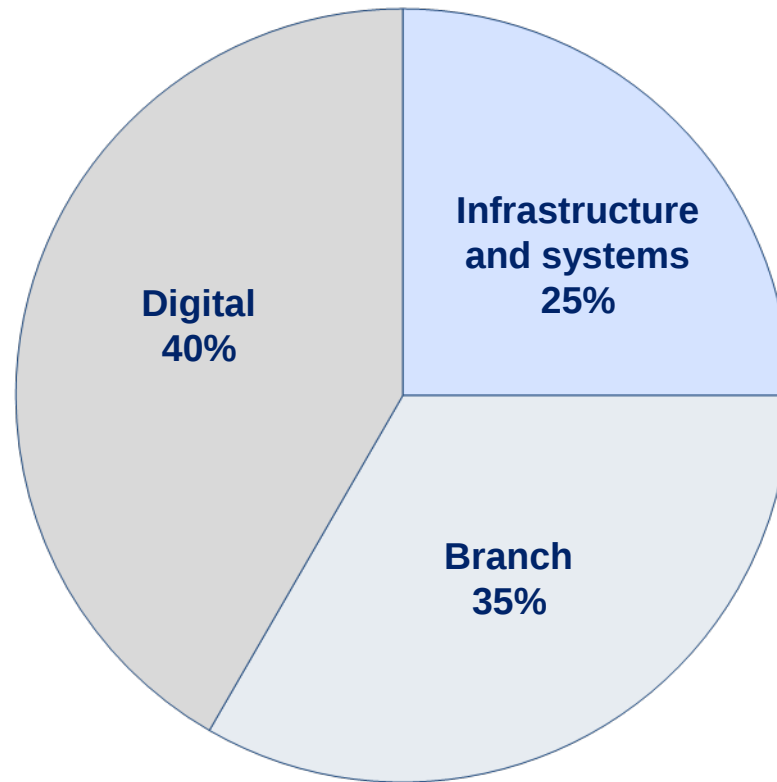
- Account opening in <24 hours
- No need for post or branch visit



1,300 IDs verified with accts opened per month ⁽²⁾

(1) Market leading – internal benchmarking (Apr '14), (2) Only bank to offer in market

Our investment plans reflect how customer requirements are evolving



Investment of over £1bn planned from 2014-17, with digital capability our primary focus

DIGITAL

- New tablet eBanking proposition
- Add new Mobile Banking functionality (including payments)
- Create innovative tools tailored to specific life events

INFRASTRUCTURE AND SYSTEMS

- Open API architecture ⁽¹⁾
- Single view of customer and enhanced customer decisioning

BRANCH

- Complete roll out of Wi-Fi to all branches
- Continue expansion of our points of presence (shopping centres, railway stations)
- Further automation of transactions

Pie chart represents % of spend by broad investment category for PBB led projects which will benefit PBB and the wider Group. The Investment spend forms part of the wider Bank Wide Investment that has previously been communicated to Investors. Cost estimates indicative and subject to business case signoff. Costs include Property, IT & Operations investment.

(1) Application Protocol Interface

Digitising the Bank

Build new capability

Integrate internally

Integrate into customer lives

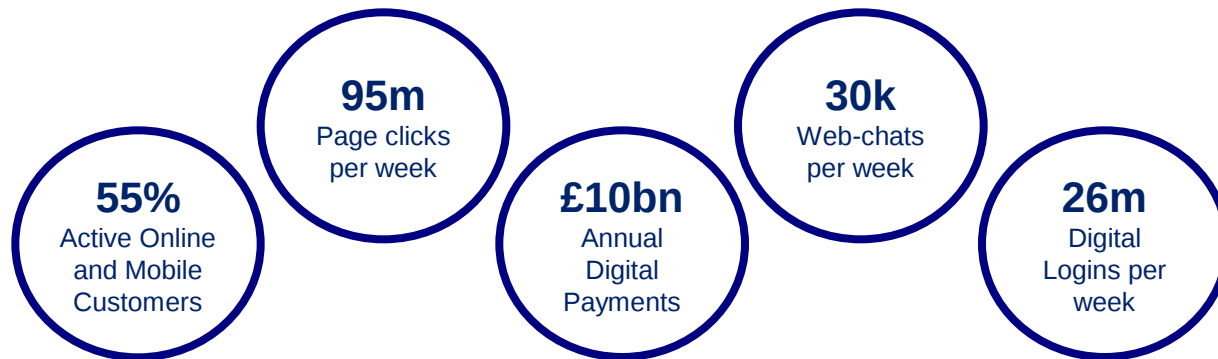


2012
Digital is an experience

2015
Digital is multi-channel

2016 - 2017
Digital is an ecosystem

We've built high customer engagement



“My bank provides me quick relevant information”



“My bank acts in my interest and helps me live my life”

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Products Overview

Home Lending: Build on market leading net lending to get closer to our 'natural' share

Simple: A lean product set that drives high staff confidence and great front line interactions for customers

Easy:

- A 'walk out working' mentality for new products
- Easy, intuitive processes through the product lifecycle

Fair: Industry leading changes to do the right thing for customers. What would you want for a family member:

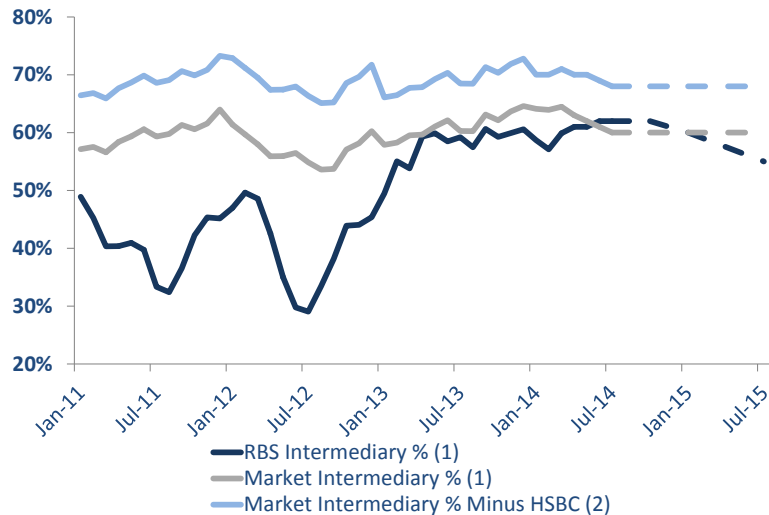
- NO more teaser offers
- NO more preferential deals for new customers
- NO more different prices in different channels



Home Lending is our primary product focus

Growth

- 30%+ growth since 2008 (£75bn to £100bn)
- Underweight position vs. natural share
- UK Market growing 21% by 2017 (CML estimate)



More advisors

- Doubling from c.400 in 2012 to c.800 by end 2014
- Brokers now forecast to be 50% of future growth - in line with customer behaviour

Risk focus

- Robust sales process established
- Current plans will not leave PBB overexposed in any geographic region or product area
- Triggers agreed to tighten risk appetite if necessary

A 'yes' means a garden full of monsters

▶ We say yes to 9 out of 10 mortgage applications
Search 'NatYes'

🏠 Talk in branch 📞 0800 408 2345 Minicom 0800 404 6161

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Based on an average of accepted applications over a 15 month rolling period, excluding Buy to Let.

NatWest | Helpful Banking

(1) CACI Mortgage Market Database, New Business Lending by Value
(2) Internally sourced RBS calculations based on HSBC public results (not CACI)

Savings: The savings bank of choice for our customers

Much simpler

Simple:

- Personal On-sale reduced from 23 to 5 products
- ~3 million ISA customers moved to the same product as new customers
- Business Banking range to be simplified down to 3 products in H2 2014

Fair:

- Same ISA pricing for all
- No teaser rates
- No 'online only' or bonuses

More profitable

- Fair Pricing & Simplification generate better product mix and rates.
- First bank to be awarded a 5 star Fairbanking Mark accreditation



But can get better

Easy:

- Provide the support and tools to help our customers become better savers
- Instant Access simplification – no customers on back book rates



Current Accounts: Driving customer engagement and delivering great service

More engaged

Easy:

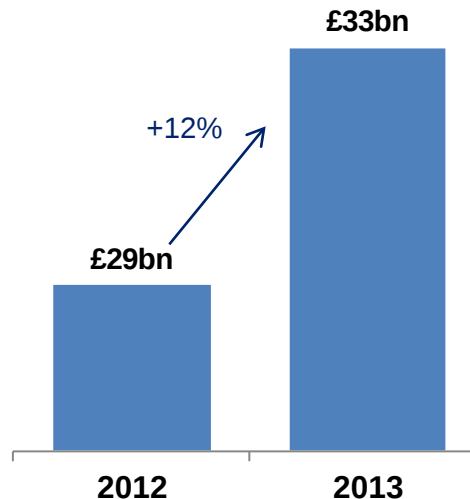
- 650k Travel Markers since launch ⁽¹⁾
- 1m+ Cashback Plus registered
- 6m Contactless Cards issued

Simple:

- 27 to 7 current accounts
- Simplified Overdraft fees
- ID by smartphone
- 1 day account opening process by end 2014

Higher value

- 18% market share of main banked accounts in the UK ⁽²⁾
- Strong balance growth in 2013 (12% vs market growth of 4% ⁽³⁾)



Rewards that make you feel warm inside

► Feel rewarded every day with Cashback Plus, our way of saying thank you

Cashback Plus is available to over 10m on our personal current accounts held in mainland UK, except for Basic, Step, Cash and current account mortgage products. Rewards are accumulated by making qualifying debit card purchases at participating retailers.

NatWest | Helpful Banking

Earn Cashback Plus Rewards with qualifying debit card purchases at participating retailers, including:

COFFEE NERO bsp cineworld NEW LOOK

(1) Tag on customer account to give prior notice of overseas travel (2) GfK FRS GB (main) current account share, RBS & NatWest, 6 months ending March 2014 (3) Bank of England, deposit market growth

Unsecured: Repositioning Credit Card, Loan and Overdrafts around customer borrowing needs.

Leading in fairness



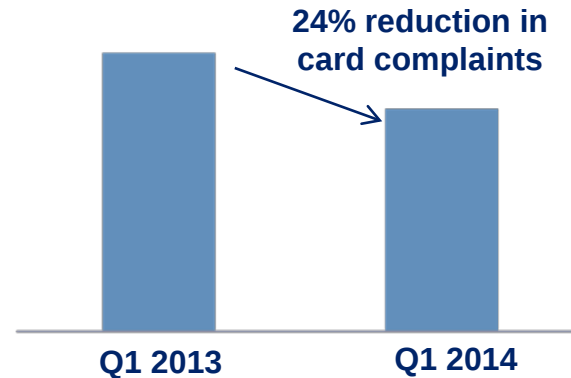
Fair:

- The only Major Bank to ban Balance Transfer Offers
- Clear Rate Platinum points the way for the 'low rate' segment

Easy:

- New loyalty credit card launches Q3
- Successful loans pricing test in RBS

Getting easier



Easy:

- Toolkit 'approval in principle' online
- Customer complaint pain points removed through
 - Fee structures
 - Credit rules
 - Fraud policies
 - Card delivery
- Business lending planner

Our best ever loan rate for our current account customers – apply today!

It could be perfect for bringing your plans to life

Representative
6.4% APR if you borrow £7,500 – £14,950

Rates depend on circumstances and loan amount. Other loan amounts are available at alternative rates.

NatWest Helpful Banking

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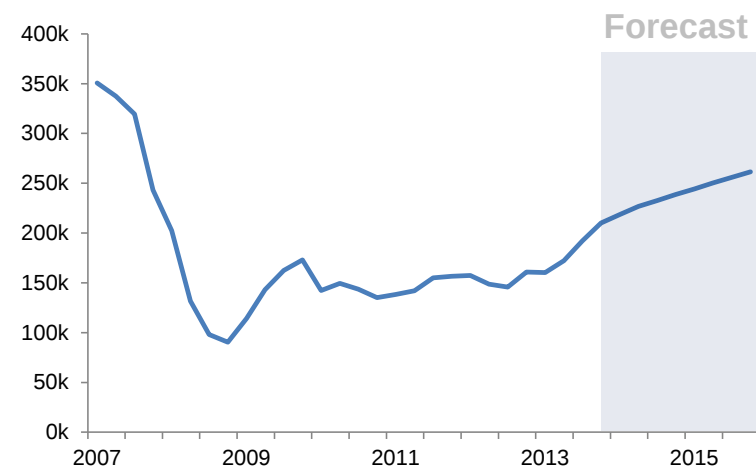
Summary

The economy has been a challenge... But an upturn is now evident

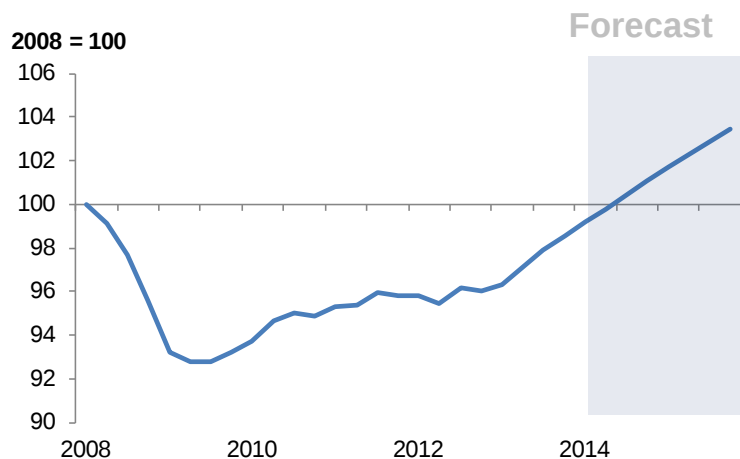
Households have been deleveraging....



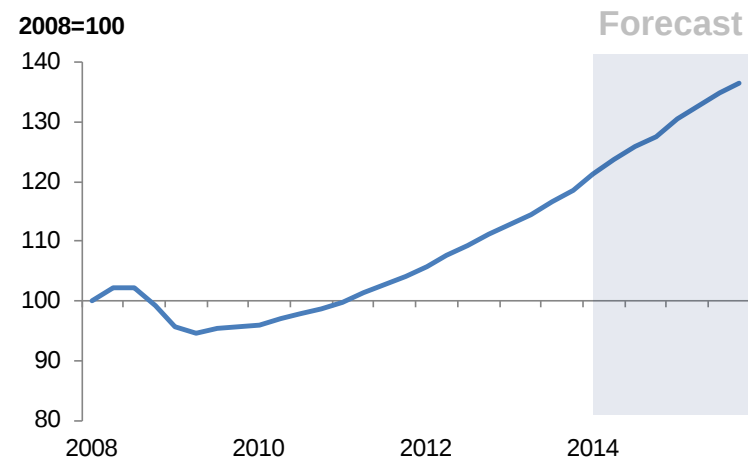
... but UK mortgage approvals are now growing



GDP growth in evidence...



...and UK business start ups are increasing



Source: Industry statistics (Bank of England, Companies House). Forecast data from RBS economics consensus view

Personal & Business – strong franchise, healthy returns...

	2013 ⁽¹⁾	Expected trend
Total income	£5.8bn	➔
Costs	(£3.4bn)	➔
Impairments	(£0.5bn)	➔
Adjusted Operating Profit	£1.9bn	➔
L&A - total (gross)	£128bn	➔
Customer deposits	£145bn	➔
NIM	3.6%	➔
Cost:income ratio	59%	➔
Loan:deposit ratio (net)	86%	➔
Impairments as % of L&A	0.4%	➔

Balance sheet momentum is building...

- Momentum is building as deleveraging slows
- Mortgages gaining in market share
- New business lending up 55% YoY
- Deposit growth evident, largely in Instant Access

Income outlook positive...

- Rationalisation and repricing of savings book delivering uplift to income
- Loan volumes improving across the majority of products

Continue to target cost reductions...

- Benefits flowing through from 2013 support functions rationalisation in Personal and the wider bank cost reduction programme
- Target further cost:income ratio improvement

Largely there on impairments...

- ...outlook now stabilising but still some YoY improvements expected

(1) Excludes Ulster and includes Williams&Glyn.

Figures shown on an adjusted basis, excluding exceptional restructuring & conduct costs

...with a good 2014 income outlook...

	2013 Income (£bn) ⁽¹⁾		Income expected trend	Volume expected trend	Margin expected trend	Fees expected trend
Mortgages	2.6		➡	➡	➡	➡
Unsecured lending	0.9		➡	➡	➡	➡
Personal deposits	0.5		➡	➡	➡	➡
Cards	0.8		➡	➡	➡	➡
Business	1.0		➡	➡	➡	➡
Total	5.8		➡	➡	➡	➡

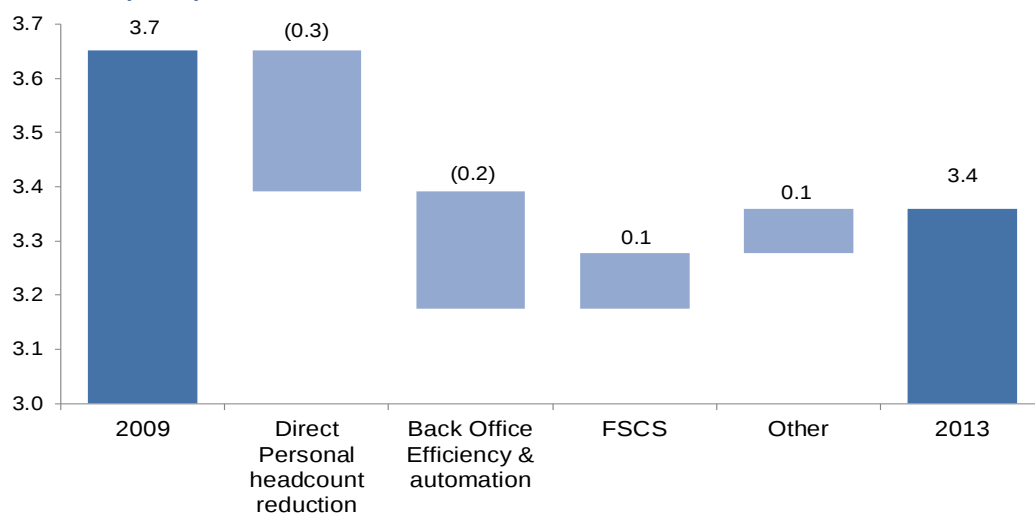
- **Mortgages:** Growth in new business volumes will help offset margin pressures from business mix / SVR switching.
- **Unsecured:** Growth in income through repricing and loan sales uplift.
- **Deposits:** Reshaping of the Savings book to meet customer needs continues to improve margins without impacting balance retention. Continued growth in current accounts deposits.
- **Cards:** Impact of removing teaser rates absorbed. New cards proposition expected to deliver a more sustainable income stream in the longer term.
- **Business:** Following a period of contraction, the business is poised for growth due to a range of product and distribution strategies that are supported by economic recovery and improved business confidence.

(1) Excludes Ulster & includes Williams&Glyn

2014 expected trend shown on an indicative basis

...proven ability to deliver cost efficiencies...

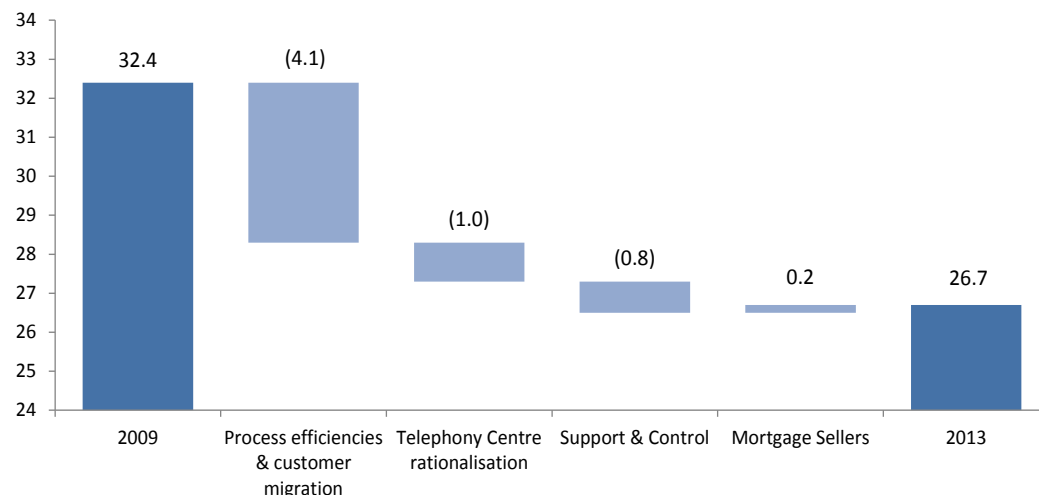
Costs (£bn) ⁽¹⁾



Track record of reducing costs:

- 17% reduction in 2009-13 headcount delivered by:
 - Lower support & control headcount through reduced duplication and increased spans of control
 - Process automation and efficiencies across branch network & telephony
 - Customer migration to lower cost channels
- Efficiency improvements delivered as part of bank wide cost reduction programme

Direct Headcount ('000s) ^(1,2)



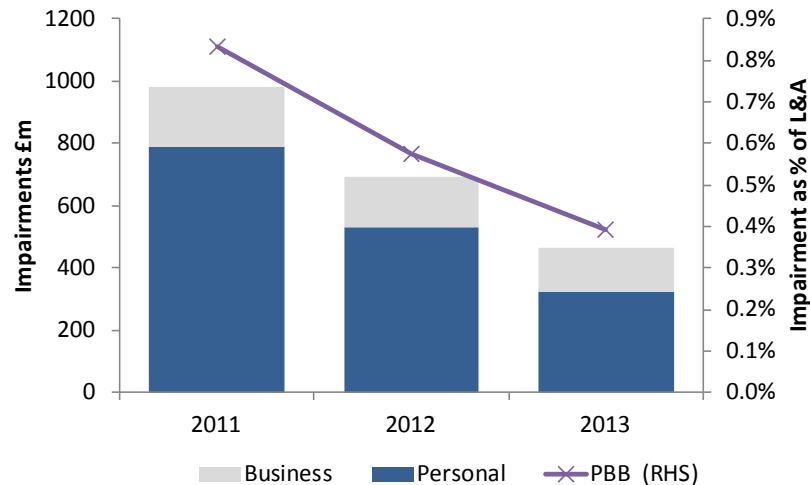
Our focus remains on efficiency:

- Key areas of focus are:
 - IT/Operations re-engineering
 - Business Banking synergies
 - Further automation & migration
- **Medium term cost:income ratio target <50%**

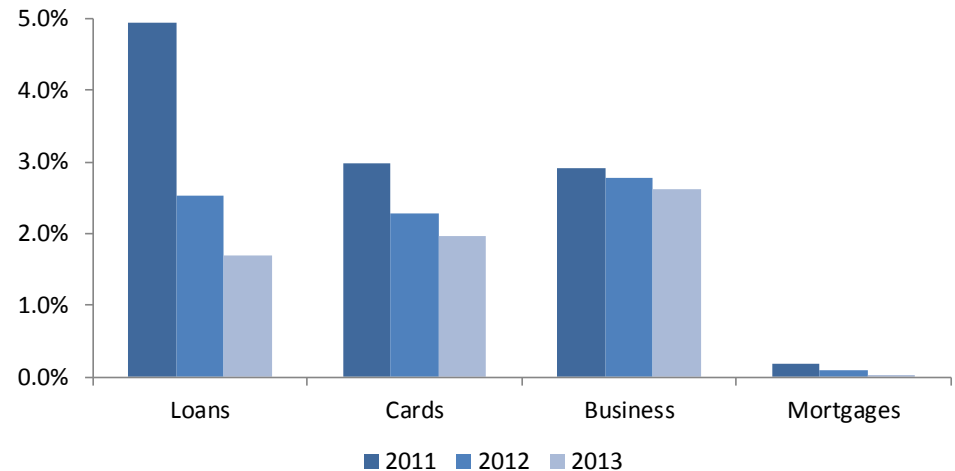
(1) Excludes Ulster and includes Williams&Glyn. (2) Headcount is Personal & Business only and does not include Services headcount. 2009 headcount reflects inclusion of 4,400 FTE transferred from Business Services into PBB in 2010. All figures shown on an adjusted basis, excluding exceptional restructuring & conduct costs. 2009 management estimate as PBB figures prior to 2011 not available

...and a benign impairments trend

Significant improvement in impairments ⁽¹⁾



Impairments as % of L&A ⁽¹⁾



- Impairments continue to improve as a result of: risk appetite tightening; improved economic environment; better collections and recoveries processes
- Default levels improving across all products
- 2013 Personal Mortgage impairment charge of ~£30m on a book of £99bn
- Well defined and controlled risk appetite framework in place

(1) Excludes Ulster & includes Williams&Glyn

Business Banking – a ‘new’ opportunity

	2013 ⁽¹⁾	Expected trend
Total income	£1.0bn	➔
Costs	(£0.7bn)	➔
Impairments	(£0.2bn)	➔
Operating Profit	£0.1bn	↗
L&A	£15bn	➔
Deposits	£30bn	➔
NIM	4.1%	➔
Cost:income ratio	67%	➔
LDR	46%	➔
Impairment charge as % of L&A	1.2%	➔

Income:

- Lending performance improving after an extended period of customer deleveraging
- Deposit pricing leading to a recovery in savings margins and spread improvement

Costs:

- Synergy opportunities exist through functionalisation as part of the new business model
- Targeting closure of cost:income ratio spread vs the market

Impairments:

- Debt flow 50% lower year on year
- Credit risk profile of current loan book is strong

Significant improvement potential

(1) Financials include Business & Corporate element of Williams & Glyn and exclude Lombard/Asset Finance
Figures shown on an adjusted basis, excluding exceptional restructuring & conduct costs

Risk Management

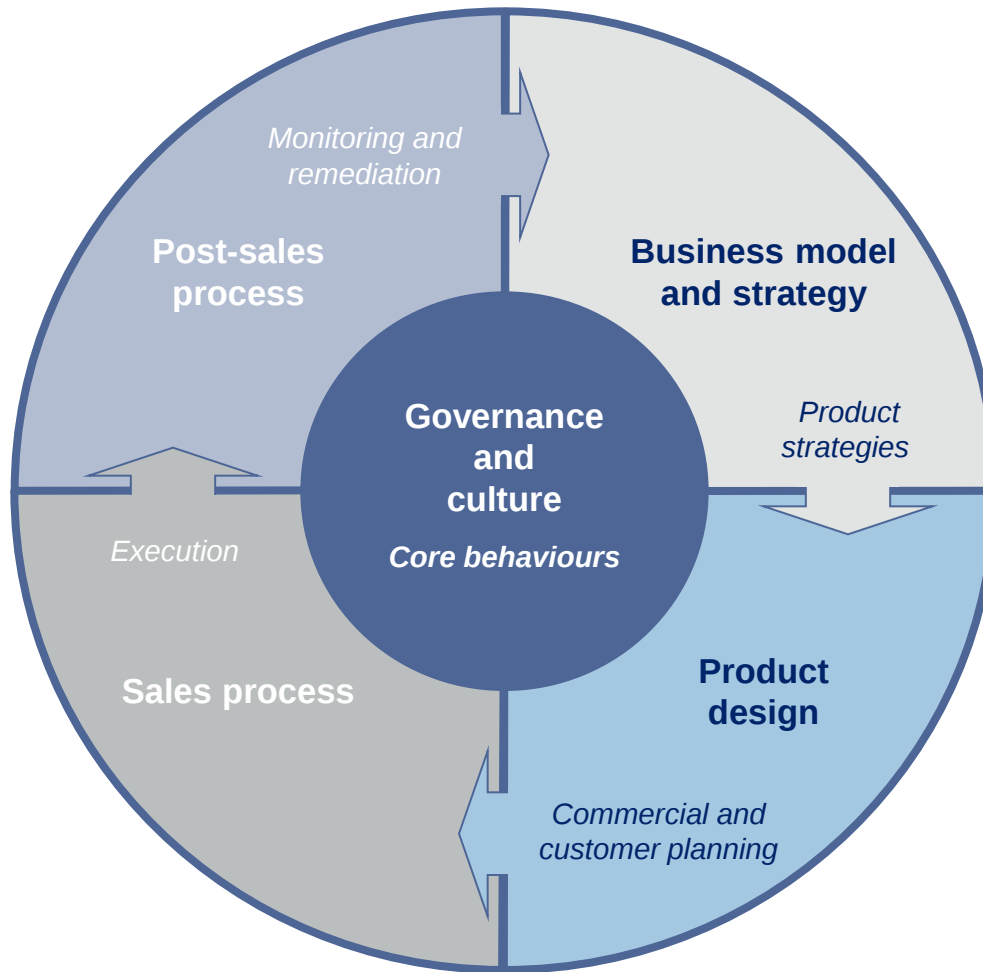
We have significantly enhanced our risk management processes

Credit and Operational risk approach well developed:

- Improved Credit metrics with impairments stable at historically low levels after several years of decrease
- Underlying portfolio credit metrics improving or stable and stressed Earnings Volatility within appetite
- House prices are a sensitivity amid evidence of localised overheating (London). Targeted measures in place to tighten affordability criteria of particularly sensitive segments.
- Affordability requirements for new business assume a 7% interest rate (and have done so for many years historically)
- Operational risks are being closely managed, with a particular focus on business continuity and systems resilience following the technology incidents

We continue to develop and enhance our Conduct framework

Conduct outcomes drive the way we manage our business



- **Product strategy:**
 - Comprehensive conduct reviews under way (Loans/Cards completed)
 - Vulnerable Customers programme under development
- **Commercial and customer planning:**
 - Product rationalisation underway
 - Pricing promises established
 - Product Development guidelines and tools enhanced
- **Execution:**
 - New investment advice model in place
 - MMR⁽¹⁾ compliant mortgage processes
 - Freephone / local numbers replacing premium rate ones
- **Monitoring and remediation:**
 - Redesigned frameworks proactively used
 - Investment in complaints handling
- **Governance and culture:**
 - Customer experience programme launched
 - Business systems for accountability, conduct and performance implemented

(1) Mortgage Market Review

Medium term outlook: Consistent growth in returns

Consistent income growth expected

Cost base reducing as restructuring implemented and new business structure is embedded

Cost:income ratio targeted to move below 50%

Impairment trends benign

Positive jaws contributing to improving return on equity

Agenda

Personal & Business: our new franchise

Focus on Personal & Business Banking

› Strategy

› Service

› Products

Financial performance & outlook

Summary

Result: Strong and consistent cashflow, high returns and valuation for RBS shareholder

Drive advocacy through customer service – target number one for customer trust and advocacy

Differentiate through fair & simple products, treating customers as individuals and professional staff

A consistent focus on conduct and business risks – target number one most trusted bank in the UK

Investing in all aspects of the business to improve customer interactions and process efficiency

Further developing our people to help them do more for customers

Building on the momentum in the business to deliver strong and sustainable financial returns

Q&A

Appendix

Following the restructure announced in February, our reporting approach has changed

- Creation of new Personal & Business Banking franchise, consisting of UK Retail (including Williams & Glyn Retail), Business Banking (including W&G Business & Commercial) and Ulster Bank
- Structural changes in cost base:
 - Central functions (eg Marketing, HR, Finance) now centralised to drive increased efficiencies and allocated back to the three franchises
 - Certain items previously held in Group now allocated to the three franchises, including pension costs, litigation, provision charges and bank levy
 - Costs previously held as exceptional items (restructuring and litigation costs) now included above the line
- 2009-13 financials reflect the new reporting approach. Metrics including below the line costs are shown as “headline”, those excluding these costs are shown as “adjusted”.
- Financials will be formally restated in advance of the H1 IMS; all information in this pack shown on a draft basis.

Biographies

	Name	Title	Background
	Les Matheson	Chief Executive Officer, Personal & Business Banking	■ Les was appointed CEO, Personal & Business Banking in February 2014. He joined RBS in January 2010 as Managing Director of Products, assuming additional responsibility for Marketing in October 2011. Before joining RBS, Les was Group Executive for Retail at St George Bank, part of the Westpac Group of companies. He spent 11 years with Citigroup, as CEO, Citibank Australia, Citigroup County Officer for Australia and Division Executive for central Asia.
	Mike Larkin	Finance Director, Personal & Business Banking	■ Mike joined RBS Group from GE Capital in 2001. Mike initially joined Group Financial Planning & Analysis team focusing on Ulster Bank and Wealth Management. In 2007, Mike moved to Retail as the FD for the mortgage business before becoming Head of Products for Retail Finance in 2010. With his experience and knowledge of finance, products and projects, Mike moved into his current role as Finance Director for Personal & Business Banking in April 2014.

Biographies

	Name	Title	Background
	Moray McDonald	Managing Director, Products, Personal & Business Banking	■ Moray joined RBS in September 2010 as Category Director for Home Lending and in April 2014 secured the role of Managing Director, Products. Prior to joining RBS Moray has worked in financial services in Europe and Australia. During that time he has worked in a range of positions as Marketing Manager for GE Capital Motor Finance in Edinburgh, Deputy Managing Director for Finanzia Banco de Credito and President of AVIS Fleet Services Iberia, both in Madrid. In Australia he was Secured Lending Director for Citibank (1998 - 2003), Managing Director for Diners Club (2003 - 2008), then Managing Director of Esanda, Australia's largest Finance Company.
	Stuart Haire	Managing Director, Direct Bank, Personal & Business Banking	■ Stuart is responsible for the Direct Bank in the UK Consumer Business. This includes accountability for Internet, Mobile, Social, Web-Chat and Telephony Services. Previously, Stuart was Chief Risk Officer where he was responsible for the management of Credit, Conduct/Compliance, Operational and balance sheet risk for the Retail Division. Before joining RBS, Stuart was a member of HSBC group from June 2002 to May 2006, latterly as Head of Analysis responsible for credit, marketing, product and operational analysis across each HSBC brand.