Investor Seminar

Alexander Holcroft, Investor Relations

9 December 2016

Agenda

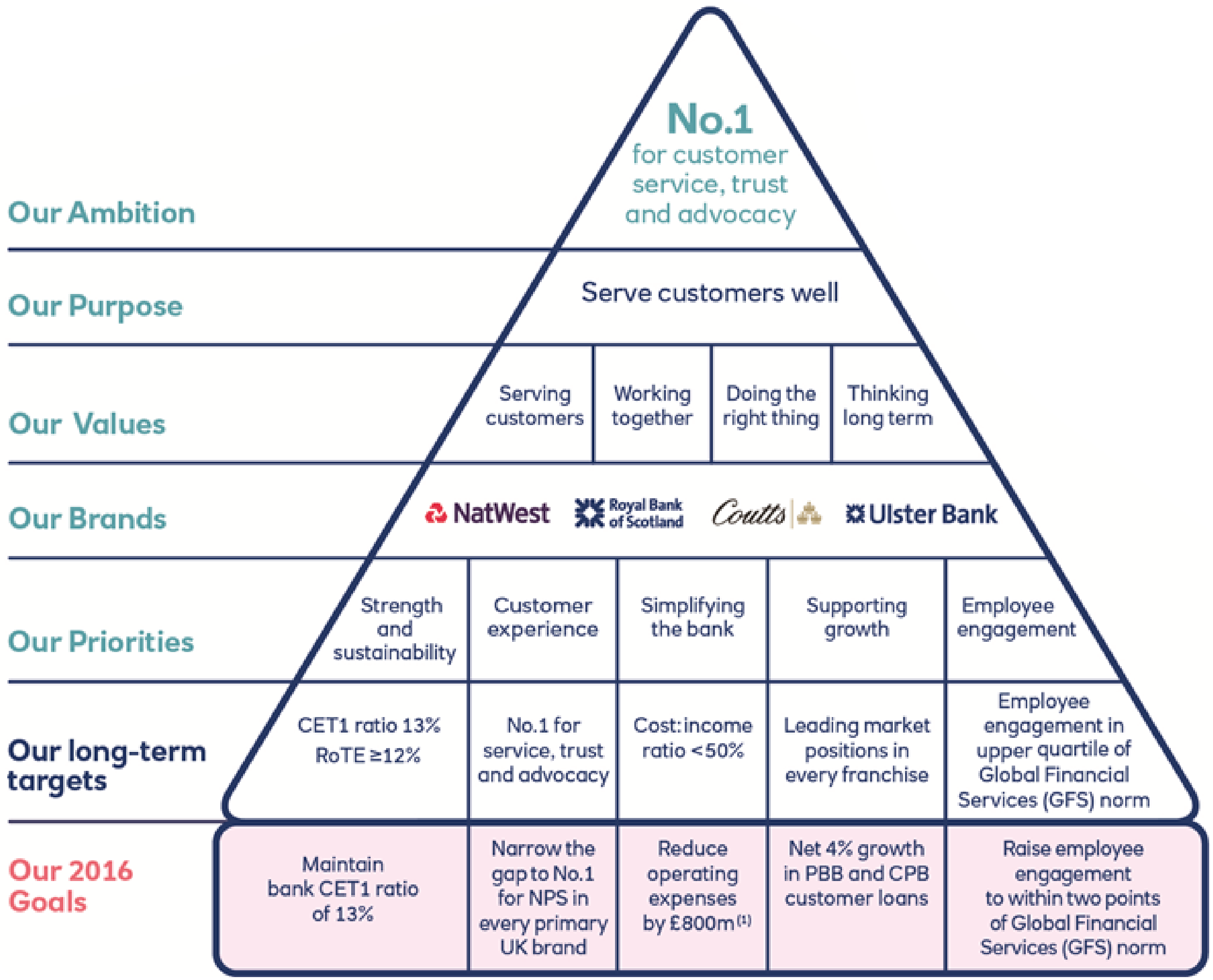
Introduction – Alexander Holcroft

Ulster Bank RoI – Gerry Mallon CEO

Private Banking – Peter Flavel CEO

RBS International – Andrew McLaughlin CEO

Our blueprint for success



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

9M 2016 Financial Results

	Core Franchises							Total Other				Total RBS
	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Total Core Franchises	Capital Resolution	W&G[1]	Central items & other[2]	Total Other	
Adj. Income[3]	4.0	0.4	2.5	0.5	0.3	1.2	8.9	(0.1)	0.6	(0.4)	0.1	9.0
Adj. Operating expenses[4]	(2.2)	(0.3)	(1.4)	(0.4)	(0.1)	(1.0)	(5.4)	(0.6)	(0.3)	0.3	(0.6)	(6.0)
Impairment (losses) / releases	(0.1)	0.1	(0.1)	(0.0)	(0.0)	-	(0.1)	(0.4)	(0.0)	0.0	(0.4)	(0.6)
Adj. operating profit[3,4]	1.7	0.2	1.0	0.1	0.2	0.2	3.4	(1.1)	0.3	(0.1)	(0.9)	2.5
Funded Assets[6]	155.4	25.2	152.6	18.1	26.9	112.5	490.7	34.9	25.7	18.0	78.6	569.3
Net L&A to Customers	129.6	19.5	99.8	11.8	8.7	19.9	289.3	16.7	20.6	0.1	37.4	326.7
Customer Deposits	143.7	15.1	98.1	25.3	25.5	9.7	317.4	16.8	24.0	0.6	41.4	358.8
RWAs	31.9	21.4	77.6	8.2	9.6	36.6	185.3	38.6	9.7	1.6	49.9	235.2
LDR	90%	129%	102%	47%	34%	n.m.	91%	99%	86%	n.m.	90%	91%
Adj. RoE (%)[3,5]	26%	9%	9%	9%	16%	2%	12%	n.m.	n.m.	n.m.	n.m.	(0.6%)
Adj. Cost : Income ratio (%)[3,4]	56%	72%	54%	74%	39%	81%	60%	n.m.	48%	n.m.	n.m.	66%

[1]'Williams and Glyn' refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses along with certain small and medium enterprises and corporate activities across the UK [2] Central items include unallocated costs and assets which principally comprise volatile items under IFRS [3] Excluding own credit adjustments, gains/(losses) on redemption of own debt and strategic disposals [4] Excluding restructuring costs and litigation and conduct costs and goodwill [5] RBS's CET1 target is 13% but for the purposes of computing segmental return on equity (RoE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets after capital deductions (RWAes) *Totals may not cast due to rounding

Strong franchises with clear strategies

Invest to Grow 64% of total core RWAs	UK PBB	Commercial Banking	RBS International
	Q3 2016: RWAs: 17% Adj. ROE: 28%	Q3 2016: RWAs: 42% Adj. ROE: 10%	Q3 2016: RWAs: 5% Adj. ROE: 15%
Actions	• Clear customer segment strategies, leveraging products, e.g. Reward • Digital transformation, improving customer experience	• Accelerate simplification and product rationalisation • Strong digital investment • Enhance CIB connectivity	• Grow domestic market share (e.g. Jersey, Guernsey, Isle of Man & Gibraltar) • Open Luxembourg & London branch to broaden customer offering
Reposition for Returns 36% of total core RWAs	**Ulster Bank RoI**	**Private Banking**	**CIB**
	Q3 2016: RWAs: 12% Adj. ROE: 10%	Q3 2016: RWAs: 4% Adj. ROE: 12%	Q3 2016: RWAs: 20% Adj. ROE: 8%
Actions	• New CEO to drive strong and profitable franchise • Continue cost reduction • Increase mortgage market penetration • Increase capital efficiency of legacy book	• New CEO to drive strong and profitable franchise • Continue cost reduction • Develop referrals with Commercial Banking • Focus on balance sheet and AUM growth	• Continue cost reduction • Stabilisation of income • Deepen relationships with Commercial Banking

Today's speakers

Gerry Mallon

CEO Ulster Bank Ireland DAC

- Appointed in June 2016.
- Former CEO of Danske Bank in Northern Ireland.
- MBA from Ulster Business School and MA in Economics from Kings College, Cambridge. In 2015 he was also awarded Doctor of Science from the University of Ulster.

Peter Flavel

CEO Private Banking

- Appointed in March 2016.
- Former CEO of JP Morgan Private Wealth Management.
- Degrees in Law and Economics and has attended the Advanced Management Programme at both Harvard Business School and the University of Oxford.

Andrew McLaughlin

CEO RBS International

- Appointed in July 2015.
- Former Director, Communications and Chief Economist for RBS.
- First class honours degree in Economics and Politics. His 1993 doctoral thesis won the prestigious Walter Bagehot prize for best UK dissertation.

Ulster Bank RoI

Gerry Mallon, CEO

9 December 2016

First impressions of the business

Ulster Bank

Ulster Bank is a strong franchise with an established market position

We have an opportunity in the Irish market to leverage our position within RBS

Legacy tracker book creating a drag on returns and ‘lower for longer’ environment is a challenge

High capital ratios reflective of where the bank has come from

Opportunity to run the bank much better, reducing cost and driving efficiencies

We are the 3rd largest bank in RoI

And the only UK bank with a full service offering in RoI

Ulster Bank

	RETAIL: Branch Banking, Financial Planning, Private & Mortgages	RETAIL: Business Banking	COMMERCIAL: C&IB, SME, CRE and International Trade
Income	~ 2/3rds		~ 1/3rd
Customers	1.1m	49k	5.6k
Market Share*	12%(1)	14%(2)	16%(2)
Distribution Platforms	110 Branches; 661 ATMs; 2 Mobile Banks; ~1,150 Post Offices	228K Active online banking Customers; 24/7 Telephone Banking; 146k Active Mobile Customers; Web Chat	13 Locations; Webex (Onboarding); 24/7 Telephone Banking; Bankline
Product Range	Current accounts Loans Mortgages Savings / Investments	Insurance intermediary – Life / Home insurance cards – Debit / Credit	Current accounts Loans Debt capital markets Deposits Cards – Debit / Credit Intl. Connectivity Asset Finance Invoice & trade Finance FX & IRD

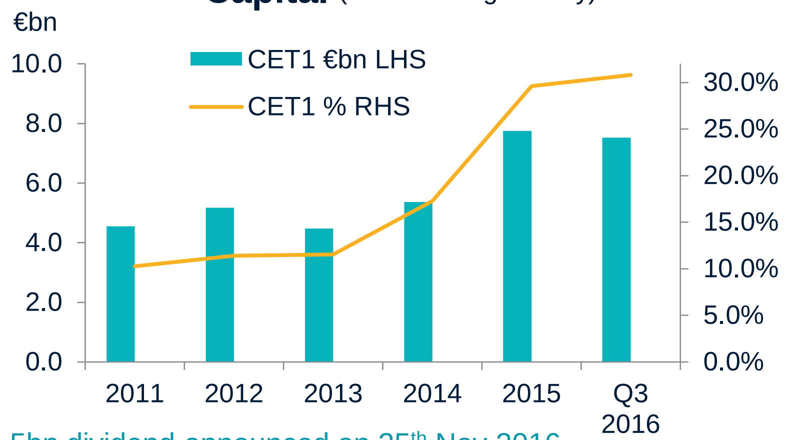
(1) Source MORI MFS Study Q3 2016
(2) Source: PwC Republic of Ireland Business Banking Tracker 2015, Business Banking <€2.5m turnover, Commercial Banking >€2.5m turnover
* Market share based on current accounts/MTAs.

Where we have come from

Ulster Bank

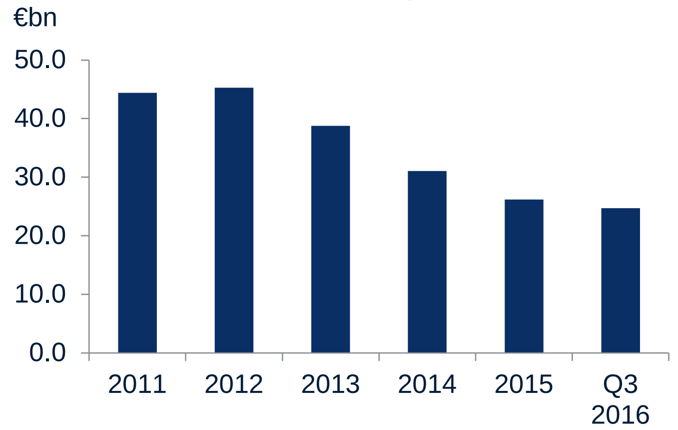
We have made good progress towards building a stronger and more sustainable bank

Capital (UBI DAC legal entity)

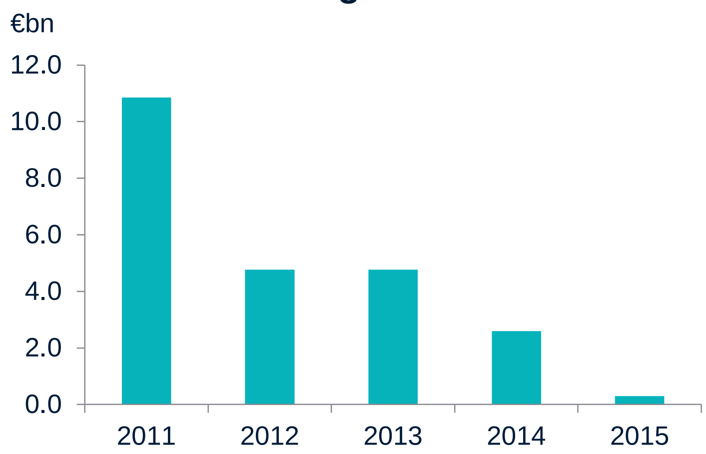


€1.5bn dividend announced on 25th Nov 2016
Post-dividend CET1 in excess of 24%

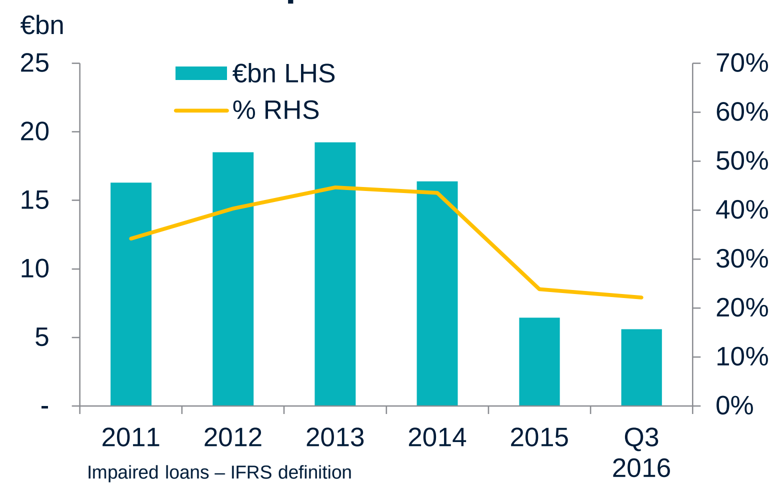
RWAs



Borrowing from RBS



Impaired Loans



Impaired loans – IFRS definition

9M 2016 Results by RBS Franchise Ulster Bank RoI

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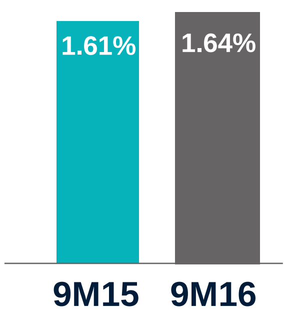
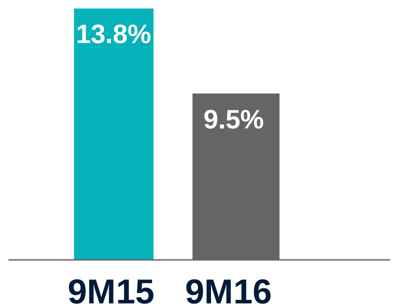
Our Performance
Q3 YTD Key Metrics and Highlights

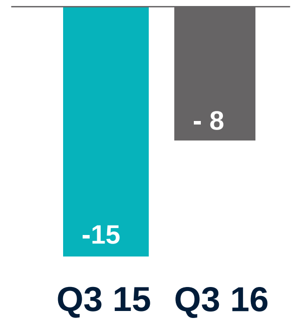
NIM



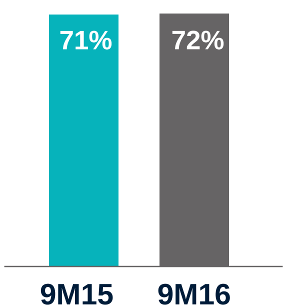
ROE Adjusted(1,2)



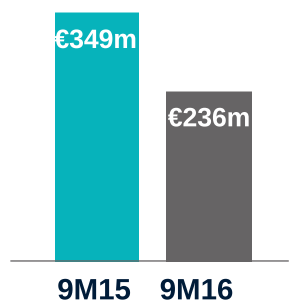
Retail NPS



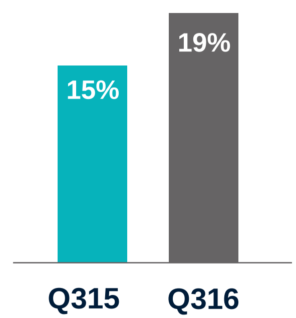
Cost:Income Adjusted(1)



Adjusted Operating Profit(1)



Mortgage lending Market Share



IMS Highlights

Ulster Bank RoI built upon its strong H1 2016 performance in mortgage lending, adding a further €0.3 billion of gross new lending in the quarter, up 51% compared with Q3 2015. The low yielding tracker mortgage portfolio declined by a further €0.3 billion to €11.1 billion.

Adjusted operating expenses reduced by €15 million, or 10%, compared with Q3 2015 to €138 million.

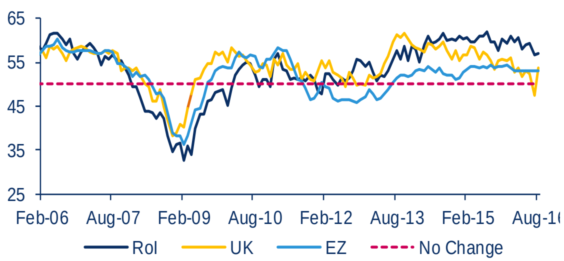
Credit metrics continue to benefit from the improving economic environment supporting a reduction in RWAs of 7% to €24.7 billion compared with Q3 2015. RWAs on the tracker mortgage portfolio reduced by €1.1billion, or 10%, compared with Q3 2015 to €9.6 billion.

(1) Excluding restructuring costs, litigation and conduct costs and own credit adjustment (€4m YTD 2016).
(2) Return on equity is based on segmental operating profit after tax adjusted for preference dividends divided by average notional equity based on 11% of the monthly average of segmental RWAes, assuming 15% tax rate.

RoI Macro economic metrics

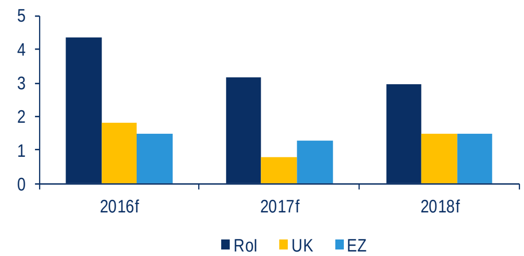
Outlook remains favourable, albeit not as favourable as prior to the UK Referendum

Composite PMIs – Business Activity



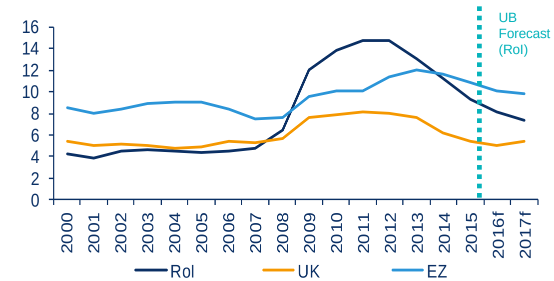
Source: Markit Economics

Real GDP, % change



Source: UB, CSO, Bloomberg, ONS

Unemployment Rate, % of Labour Force



Source: UB, CSO, ONS, Bloomberg

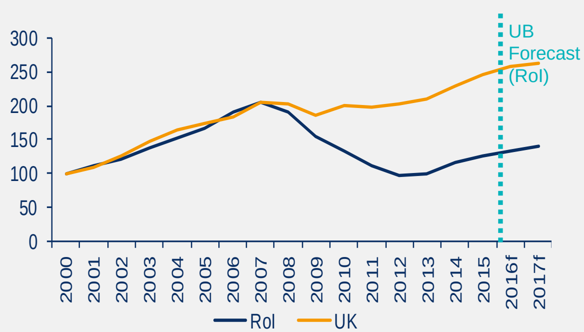
Evolution of the housing and mortgage markets

House prices:
Increased 47% from their cycle low

Supply shortage:
New housing supply 2015 = 12,700 units
Medium-term requirement 25k+ p.a. (ESRI est)

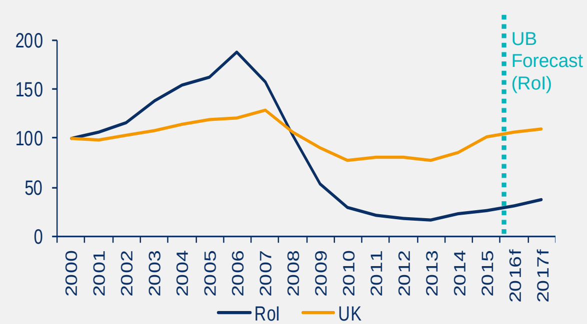
New mortgages:
Total gross new mortgage lending doubled (c. €5.3bn 12 months to Sept 2016) vs 3 years ago
(source: BPFI)

House Price Levels, Index 2000=100



Source: UB, CSO

Completions, Index 2000=100



Source: UB, CSO

Regulatory measures:
CBI macroprudential mortgage regulations, introduced in 2015 and recently revised, have had a tempering effect on house prices

Challenges & Headwinds
Overview

Ulster Bank

Tracker mortgages

Close out Tracker Mortgage examination

Drag on income from tracker mortgages diminishes over time

NPL tail

Loan portfolio sale will reduce NPLs when complete in Q4 2016

Problem Debt Management structure to manage legacy

Regulatory requirement to take action on NPLs

Costs

Cost Income ratio is not sustainable

Cost base needs to realign to resized bank

Transformation programme is focused on both costs and income

Lower for longer

Low interest rates are squeezing deposit margins

Return on free funds is at very low (negative) rates

Brexit

Likely negative impact on Irish economy

Affecting exports and investment

Depreciation of Sterling against Euro

Lower GBP costs for Ulster Bank

Ulster Bank provides optionality for RBS

Challenges & Headwinds

Ulster Bank ROI tracker mortgages

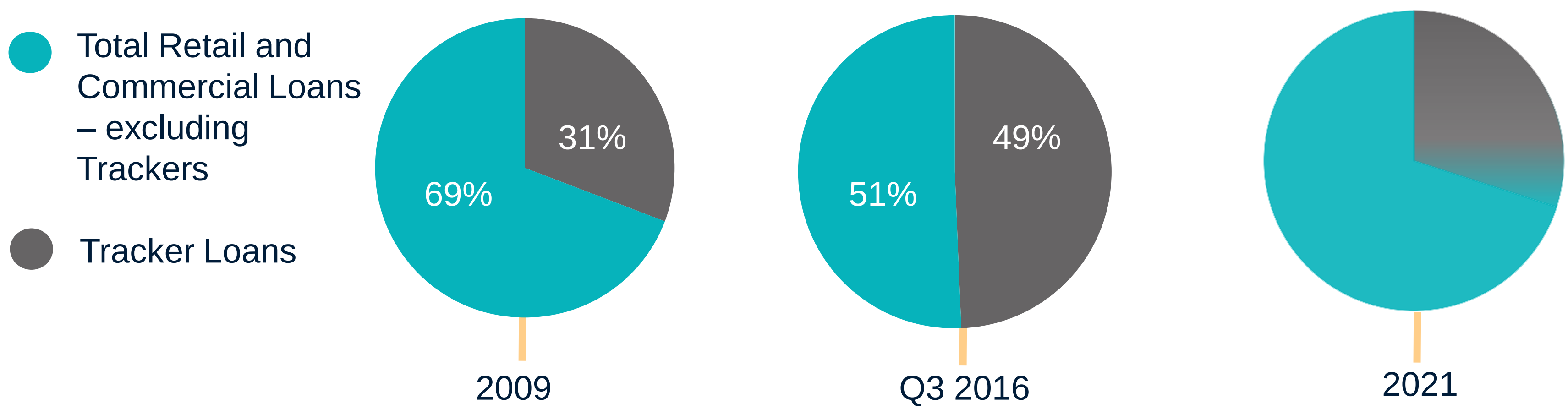
Trackers were originated at low margins

- Average margin c.1% over ECB refi rate
- Drag on NIM is c.1% and ROE is c.2%

Ulster Bank ROI – 9 months ended 30 September 2016

	Tracker book	Excl. Trackers	Total
Net Interest Margin	~0.60%	~2.50%	1.64%

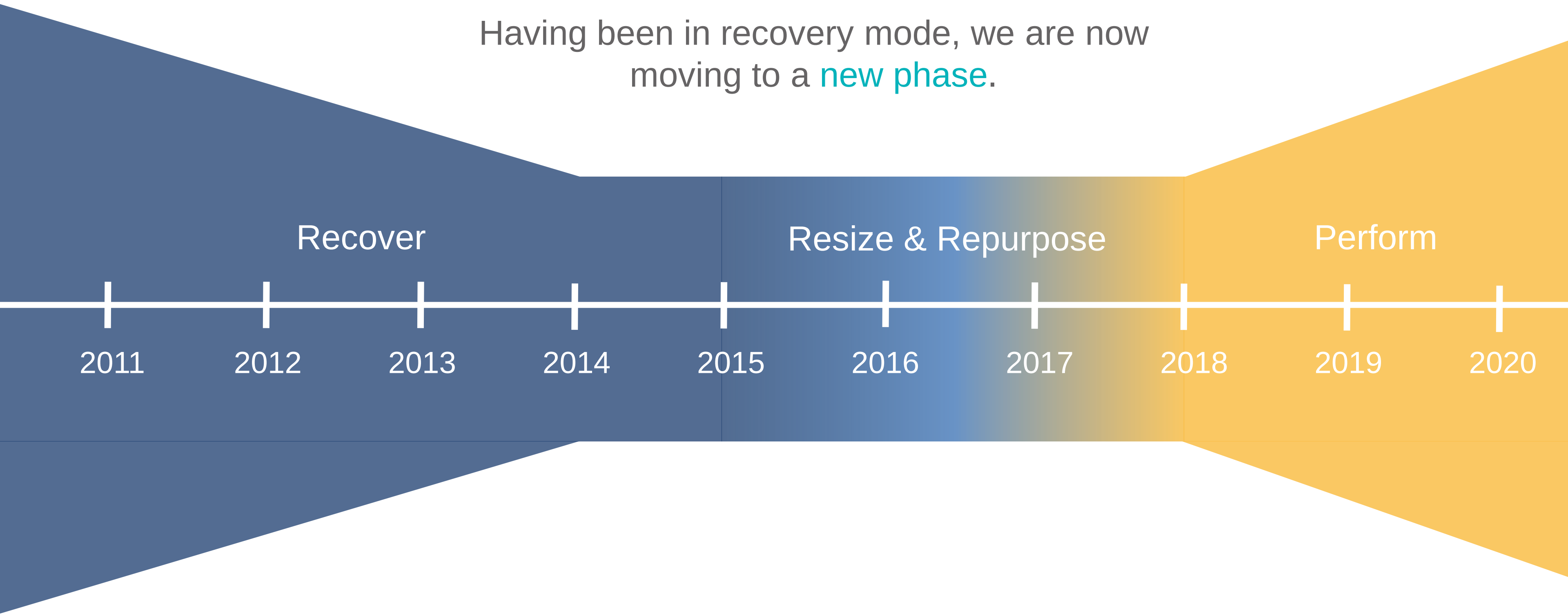
The negative impact of tracker mortgages diminishes over time, as tracker repayment trajectory continues and we grow our non-tracker loan book



2009	Q3 2016	2021
Tracker balances peaked at €15bn but only accounted for 31% of total loans	Tracker balances at €11.1bn now account for 49% of total loans creating a drag on total NIM	Tracker repayment and growth in other lending will reduce drag

The next phase
Repurpose & Perform

Having been in recovery mode, we are now moving to a new phase.



Our strategy is aligned with RBS

Ulster Bank

Our ambition: No. 1 for customer service, trust and advocacy

Legacy	
	Remediation of regulatory issues Legacy portfolios Right size costs

Go Forward							
Transformation : Innovation & Digital	Simplify our organisation and processes Leverage RBS investment in technology Embrace RBS digital capabilities						
Customer Segmentation	Retail	Sophisticated Premium	Valuable Families	Youth			
	Commercial	Sector specific propositions					
Distribution Strategy	Digital technologies will allow us to redefine our points of presence and better service our target customer segments						
Brand Revitalisation	"Help for what matters" Increase NPS, especially in our target segments						
People	Focus on our people, organisational health and investment in qualifications						

We have launched a bank wide transformation programme which supports delivery of our strategic priorities.

Illustrative examples

Transformation to deliver on our priorities

Ulster Bank

	Strength & Sustainability	Customer Experience	Simplifying the Bank	Supporting Growth	Employee Engagement
Income	Reduce margin and fee leakage	Deepen commercial relationships Bring the best of RBS Mobile and Digital Video Chat Points of Presence Car Dealer App	Reshape distribution network Restructure of SME bank	Increase cross sales Improve average product holdings Better use of data analytics Digital sales penetration	Culture of innovation Training and accreditation Rollout SME lending capability, learning and development
Costs	Wind down problem loans Maintain focus on costs Close out Tracker Mortgage examination	Improve RM effectiveness Web Channels Use the strength and capability of RBS Leverage automation technologies	Migration to digital channels Paperless Bank Simplify processes Reduce duplication Automate manual processes		Clearer role definition and responsibility

We have already delivered initiatives which enhance our brand and customer proposition

- Mobile mortgage managers
- Relaunch of Lombard Consumer Car financing
- Same mortgage rates for new and existing customers
- Contactless Debit & Credit cards
- 7 year fixed mortgage pricing
- Clear current account pricing

Transformation
Focus for 2017 is on driving cost initiatives across all areas

Retail	• Optimise our points of presence • Enhance digital options • Process efficiency gains
Commercial	• Transform how we work creating more time with customers through segmentation, removing unproductive processes and enhancing front end excellence • Decrease run rateable direct costs by reviewing processes and restructuring
Business Support	• Process simplification • Centralisation of MI reporting and automation of reports • Reduce non value added activity through agile
Operations	• Move towards digital bank across customer journeys • Centralise operations in service based model • Focus on embedding lean and agile principles
External Spend	• Consolidation, elimination and commercial renegotiation of 3rd party engagements • Enhance MI to produce expenditure transparency
IT and Property	• Reduce costs through decommissioning, change prioritisation and driving value from 3rd party contracts and RBS technology

Medium term outlook from Q3 2016

Ulster Bank

	FY 2015	9 months 2016	Outlook from Q3 2016
Profit & Loss (€m)			
Adj. Income[1]	758	544	➡
Adj. Costs[2]	(587)	(390)	➡
Impairment releases	194	82	➡
Adj. Operating Profit[1,2]	365	236	➡
Balance Sheet (€bn)			
Net L&A	22.7	22.6	➡
Deposits	17.8	17.5	➡
RWAs	26.4	24.7	➡
Key Performance Indicators (%)			
Adj. CIR	78	72	➡
Adj. RoE	10.6	9.5	➡
LDR	127	129	➡
NIM	1.57	1.64	➡

P&L

Income
- Growth in lending will improve income
- Margin uplift as low yielding trackers reduce and new lending margins are holding up well
- Low interest rates environment compresses margins and return on free funds

Costs
- Savings delivered through transformation

Impairment releases
- Return to normalised impairment charge

Balance sheet

Lending
- Return to modest growth
- Strong mortgage market position

Deposits
- Incremental growth to fund lending and improve LDR

RWAs
- RWA intensity expected to reduce further as we implement a number of capital efficiency measures

(1) Excluding own credit adjustments.
(2) Excluding restructuring costs and litigation and conduct costs.

Key messages

Ulster Bank

Transformation programme in place to achieve the right C:I ratio

Leveraging the strength of RBS and key market opportunities in Ireland

Intention to return excess capital – €1.5bn dividend announced

Appendices

Presenter Biography
Gerry Mallon

Gerry Mallon was appointed Chief Executive Officer, Ulster Bank Ireland DAC in June 2016. He formerly held the role of CEO at Danske Bank in Northern Ireland, where he was a member of the Business Banking and Personal Banking International Leadership teams. Previous appointments held there included Deputy CEO and Head of Business Development. Prior to this, he held senior positions at Bank of Ireland, McKinsey & Company, the Industrial Development Board for Northern Ireland and the Northern Ireland Civil Service.

He holds an MBA from the Ulster Business School and an MA in Economics from Kings College, Cambridge University. In 2015, he was also awarded a Doctor of Science (honoris causa) from the University of Ulster. A former President of the Institute of Banking, he has just completed six years as Pro-Chancellor and Chairman of the Council of the University of Ulster. He is currently a Board member and Chairman of the Irish Football Association.

Private Banking

Peter Flavel, CEO

9 December 2016

First impressions of the business

Large and attractive client base, deepen and widen needs-met across our entire proposition, good investment performance

Good progress in rebuilding the business; now simpler and firmly focused on the UK

Creating capacity and embedding client segmentation to achieve client balance growth

Strengthening connectivity with NatWest and RBS, to build a healthy stream of referrals

Significant opportunity: the market is growing; our brand positioning and client base is unique; and we have a strong, clear direction of travel

Our proposition is built on a view across the clients balance sheet

We retain an important USP as an aggregator, with a view across both sides of the client's balance sheet

	Banking	Lending	Investments
Products & Services	• Current account • Savings • Cards (inc. multi-currency) • Payments • Liquidity management • Insurance	• Mortgages • Unsecured lending • Investment-backed lending • Complex credit solutions • Commercial lending • Structured finance	• Discretionary & advisory portfolio management • Coutts unitised funds • Treasury services • Financial Planning • Advisory & Education
Needs-met	c.100%	c.40%	c.50%
Our Brands	Adam & Company Scotland	Coutts England/Wales	
Distribution Platforms (Services aligned to client segment)	16 Offices/ hubs[1] 82% Active online[2] Coutts 24/7 telephony	Face2Face Relationship manager	Concierge Coutts Club

1) Coutts & Adam & Co., ex. CCDs; 2) Registered online banking clients that are active as of Sept 2016

Our external market position

Unique brands	Iconic UK brands; known for aspiration, heritage and reliability
Digital platform	Self serve capabilities – content, access and security
Experienced banking	Modern banking with a personal touch; exceptional concierge service, intelligent international offering
Complex credit experts	Renowned experience in providing solutions for complex credit needs or client situations
Good investment performance	Investment expertise, under one central house view with access to a range of products and services to cater to client requirements[1]
Extensive, exclusive network	Wide network of experts, influencers and pioneers; access to opportunities beyond Private Banking (the 'Coutts Club')

1) Appendix 1 for fund historical performance

We have been rebuilding the business as we reposition for sustainable business growth

RBS

What does our journey look like?

✓ **Delivered**

• **To be completed**

Fix the underlying business

✓ Re-define advice model
✓ Reduce direct cost
✓ Integrate with Group
✓ Goodwill write-down
✓ Exit international & refocus on UK
✓ New management structure

2012 - 2015

Refocus and invest for growth

✓ Reduced office footprint
✓ Positive year-to-date financial results
✓ Set up Jersey booking platform
✓ Centralised investment management proposition delivery
✓ Revised product and solutions delivery
✓ Stronger business risk and controls

2016

Accelerate sustainable business growth

- Embed investment advice model
- Right Client, Right Advisor, Right Segment
- Needs-met proposition, focussed on target clients and segments
- Accelerate omni-channel
- Balanced business across the proposition

2017+

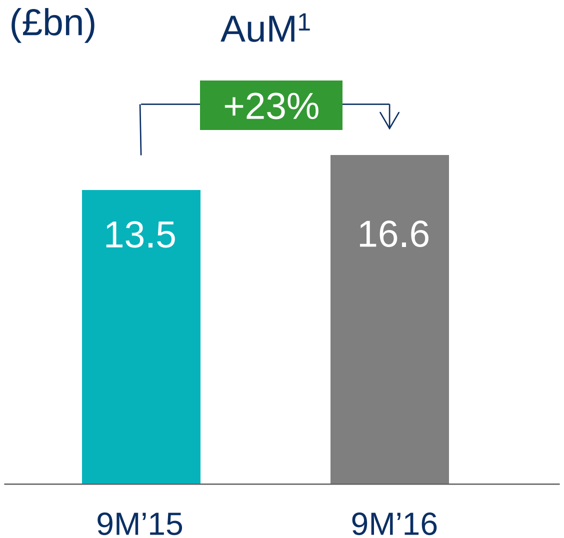
Positive nine month results

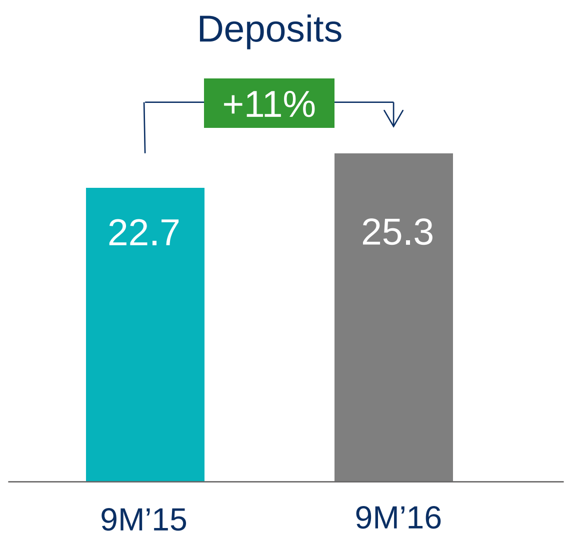
	Core Franchises							Total Other				Total RBS
	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Total Core Franchises	Capital Resolution	W&G[1]	Central items & other[2]	Total Other	
Adj. Income[3]	4.0	0.4	2.5	0.5	0.3	1.2	8.9	(0.1)	0.6	(0.4)	0.1	9.0
Adj. Operating expenses[4]	(2.2)	(0.3)	(1.4)	(0.4)	(0.1)	(1.0)	(5.4)	(0.6)	(0.3)	0.3	(0.6)	(6.0)
Impairment (losses) / releases	(0.1)	0.1	(0.1)	(0.0)	(0.0)	-	(0.1)	(0.4)	(0.0)	0.0	(0.4)	(0.6)
Adj. operating profit[3,4]	1.7	0.2	1.0	0.1	0.2	0.2	3.4	(1.1)	0.3	(0.1)	(0.9)	2.5
Funded Assets	155.4	25.2	152.6	18.1	26.9	112.5	490.7	34.9	25.7	18.0	78.6	569.3
Net L&A to Customers	129.6	19.5	99.8	11.8	8.7	19.9	289.3	16.7	20.6	0.1	37.4	326.7
Customer Deposits	143.7	15.1	98.1	25.3	25.5	9.7	317.4	16.8	24.0	0.6	41.4	358.8
RWAs	31.9	21.4	77.6	8.2	9.6	36.6	185.3	38.6	9.7	1.6	49.9	235.2
LDR	90%	129%	102%	47%	34%	n.m.	91%	99%	86%	n.m.	90%	91%
Adj. RoE (%)[3,5]	26%	9%	9%	9%	16%	2%	12%	n.m.	n.m.	n.m.	n.m.	(0.6%)
Adj. Cost : Income ratio (%)[3,4]	56%	72%	54%	74%	39%	81%	60%	n.m.	48%	n.m.	n.m.	66%

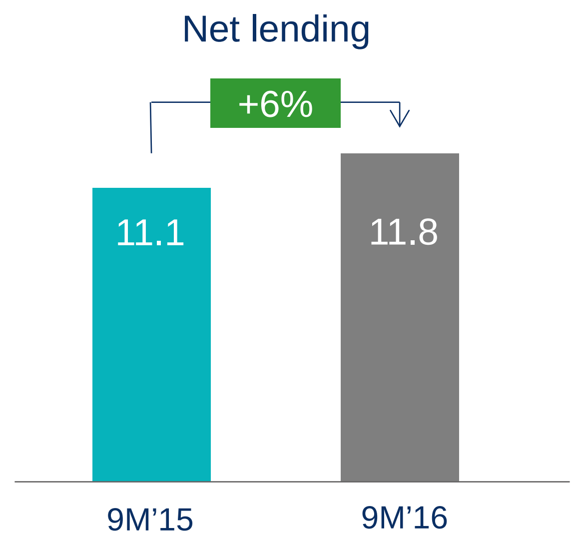
(1)'Williams and Glyn' refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses along with certain small and medium enterprises and corporate activities across the UK (2) Central items include unallocated costs and assets which principally comprise volatile items under IFRS (3) Excluding own credit adjustments, gains/(losses) on redemption of own debt and strategic disposals (4) Excluding restructuring costs and litigation and conduct costs and goodwill (5) RBS's CET1 target is 13% but for the purposes of computing segmental return on equity (RoE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets after capital deductions (RWAes)
*Totals may not cast due to rounding

Year-on-year performance

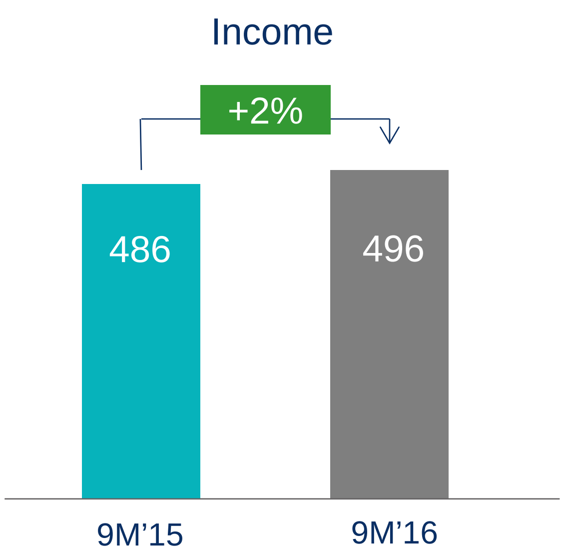
(£bn)

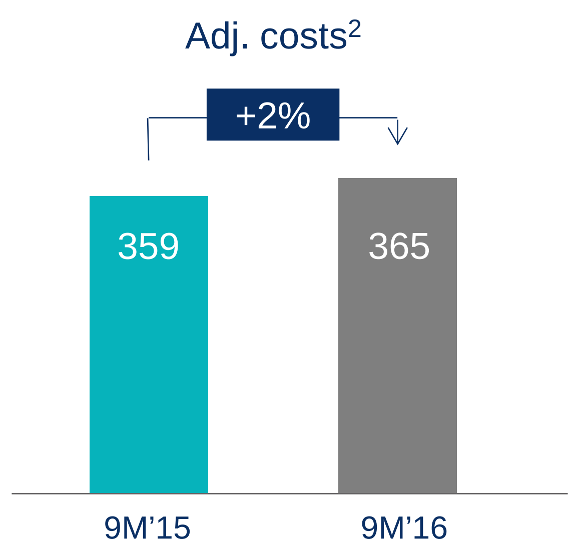






(£m)



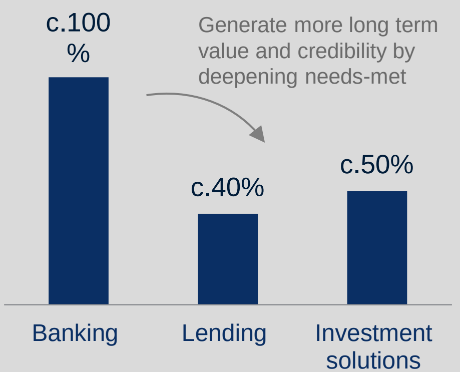


1) Includes £1.4 billion of investment cash, following change in treatment. AuM’s constitute Private Banking assets under management, assets under custody and investment cash; 2) Adjusted costs exclude litigation and conduct and restructuring costs and write down of goodwill

Strong UK value pool with opportunity for growth across the HNW space

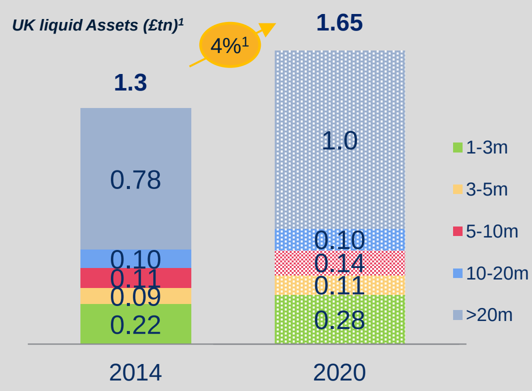
Three key areas of opportunity in HNW space, with immediate focus on our existing PB client base and deepening needs met

Our existing PB client base



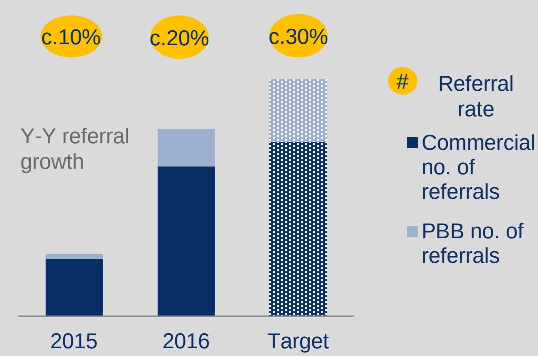
- Opportunity to deepen share of wallet and enable a more evenly balanced proposition

An expanding UK market



- Attractive, growing HNW market asset pools (4%) and population (13%) within target client segment

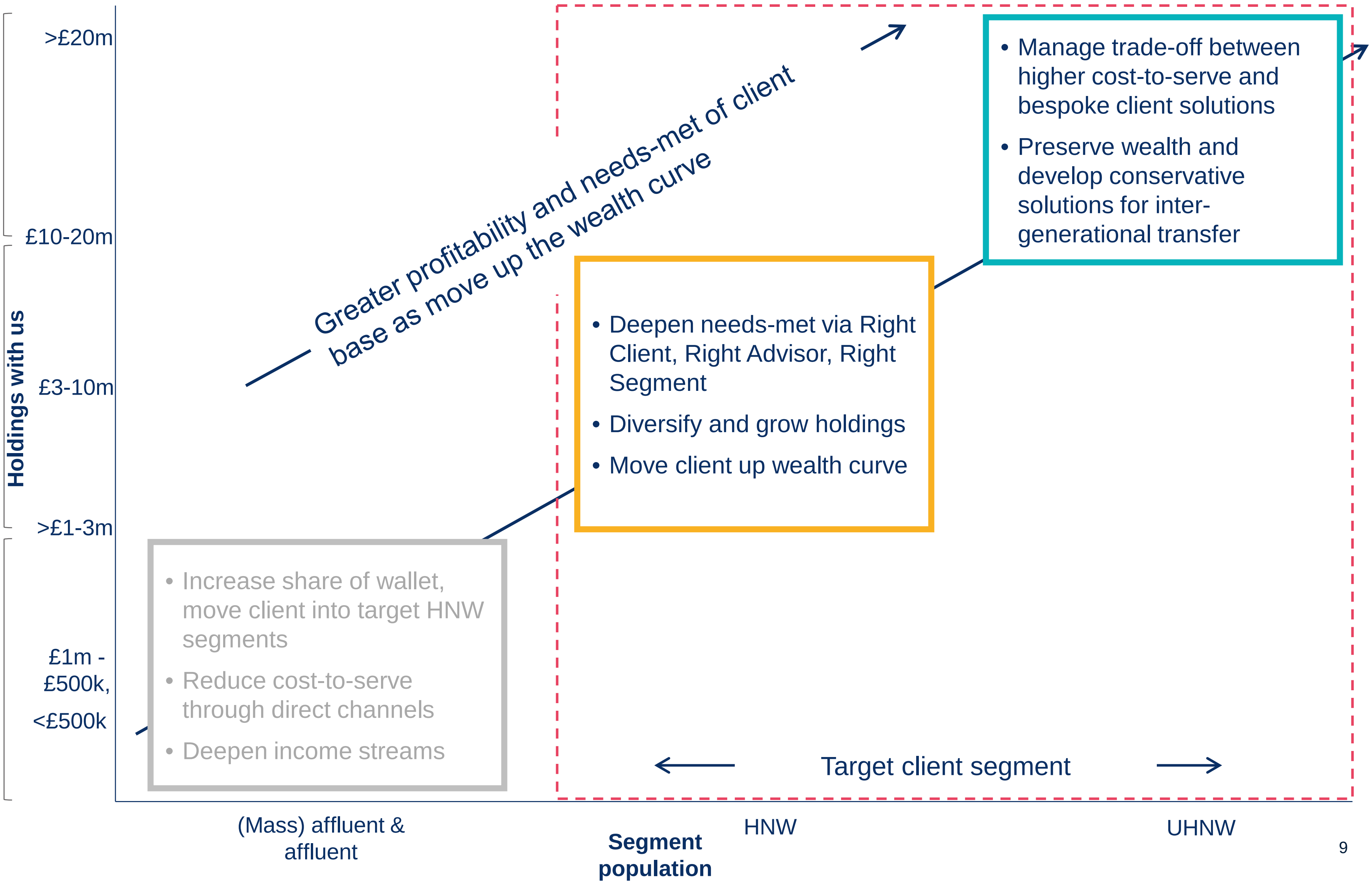
NatWest & Royal Bank of Scotland referrals as % of new customers



- Strong linkage with NatWest and Royal Bank of Scotland will ensure healthy pipeline of referrals and target segment conversions

1) CAGR; McKinsey Wealth Pools (2016 update).

Our primary growth opportunity is to deepen existing target client base share of wallet



We have a strategic plan in place to deliver on our long-term targets, underpinned by five key priorities

1. **Best client experience**
2. **Invest in a high performance culture**
3. **Deepen needs met for sustainable growth**
4. **Optimise our operating model**
5. **Simplify our business**

Our vision is to *be the best Private Bank in the UK*

Five key priorities deliver our strategic plan

1	Best client experience	• **Strengthen the product suite and services delivery:** across banking, lending and investment solutions • **Define differentiated value propositions:** by brand and client segment • **Invest in our brands:** leverage the “Coutts Club” with bespoke opportunities, drive affinity
2	Invest in a high performance culture	• **Develop our people:** roll-out leadership and Business Development framework, including improved MI and Managing Director master classes • **Clarify career architecture:** define career path, and accountable ExCo owner, by role
3	Deepen needs met for sustainable growth	• **Increase connectivity with CB/PBB:** industrialise two-way referral framework, enable healthy pipeline of target client referral growth and conversion rates. • **Develop segment specific marketing campaigns**: align to our target client segments • **Build intelligent MI:** implement Client Needs Framework
4	Optimise our operating model	• **Implement Right Client, Right Advisor, Right Segment:** re-align front-line client loadings, increase client face time • **Embed segmentation criteria :** identification and on-boarding • **Accelerate digital capabilities:** deliver real-time client activity tools to the frontline, enhance and digitise client product, service and lifestyle capabilities
5	Simplify our business	• **Simplify and automate key processes:** on-boarding, transactions and reporting

These priorities will drive business growth and increase income, decrease cost-to-serve and enhance client experience

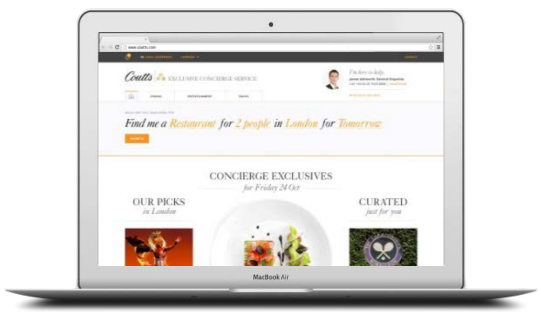
Digital transformation to drive a richer client experience and productivity

We are focussed on a simpler, more secure future state, delivered through five building blocks…

1. Adaptive platform and enabling capability
2. Security and authentication
3. Intelligence, insight and personalisation
4. Self-serve and collaboration
5. Digitally enabled products and services

2016 Online penetration

- *c.64% (+3% y/y) clients registered*
- *82% (+3% y/y) active users*
- *>5m (+12% y/y) logins*



….the output will see a richer client experience and enable share of wallet growth at a lower cost-to-serve…

…this will lead to a deeply personalised experience through consistent digital sales and service journeys.

	Client		Employee
2016	✓ Behavioural biometrics ✓ Digital concierge service	H1	✓ Performance management tools
	✓ Coutts ID (card reader replacement)	Q4	✓ Enhanced pipeline & contact management tools
	✓ D2C Execution Only		
2017	✓ D2C Simplified Advice		✓ Client Needs Framework ✓ Complaints Management Tool
	✓ New, fully responsive mobile service	H1	✓ Enhanced client activity tool – ‘next best action’ (proactive engagement)
	✓ Paperless (completion of journey)		
	✓ Consistent product & service acquisition journeys across propositions	H2	✓ CRM roll-out for Crown Dependencies
	✓ Coutts Connect client platform		
2018+	*Further enhancements to be delivered across both stakeholder groups*		

Medium-term outlook from Q3

(£m)	FY 2015	9 months 2016	Outlook from Q3 2016
Profit & Loss (£m)			
Income	644	496	➡
Adj. Costs	(518)	(365)	➡
Impairment losses	(13)	(5)	➡
Adj. Operating Profit	113	126	➡
Balance Sheet (£bn)			
AuM	13.9	16.6	➡
Net L&A	11.2	11.8	➡
Deposits	23.1	25.3	➡
RWAs	8.7	8.2	➡
Key Performance Metrics (%)			
Adj. CIR	80	74	➡
Adj. RoE	4.9	8.9	➡
LDR	48	47	➡
NIM	2.75	2.72	➡

Note: Adjusted costs exclude litigation and conduct and restructuring costs and write down of goodwill

P&L

Income

- Impact from margin compression expected to continue
- Volume growth expected to drive uplift

Costs

- Management actions to reduce operating costs, driven by strategic plan initiatives
- Lower group allocations expected

Balance sheet

Lending:

- Strong volume growth a key driver of income uplift
- Competitive product re-pricing

Deposits:

- Incremental balance growth at lower margins impacts. Slight offset from higher banking tariff

AuM:

- Scalable volume growth in medium-term under transformation plan and D2C roll-out

RWAs:

- Lending growth main driver of uplift
- Better capital management with savings recorded in 2016

Summary

Substantial opportunity to add value in an attractive market…

…Private Banking is well positioned to take advantage

Significant progress rebuilding the business

Long term vision achievable through disciplined execution

Initiatives in place to achieve sustainable growth

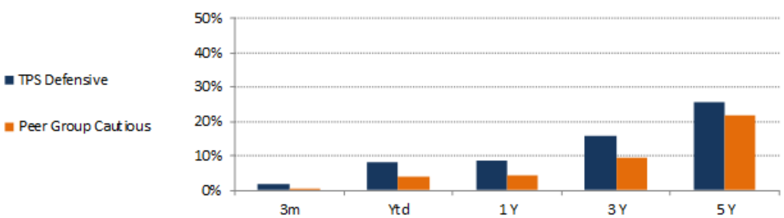
Appendix

Appendix 1

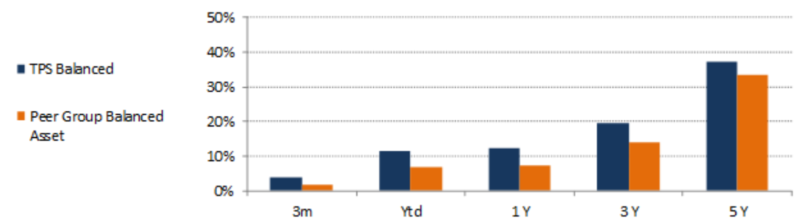
Discretionary Portfolio Mandates 5 year performance vs. market

Performance[1] versus peers[2] (to 31 October 2016)

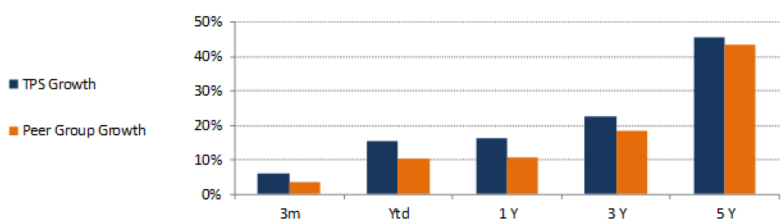
Defensive	3m	Ytd	1 Y	3 Y	5 Y
TPS Defensive	**1.7%**	**8.2%**	**8.4%**	**15.6%**	**25.7%**
Peer Group Cautious	0.6%	4.0%	4.1%	9.5%	21.6%
Quartile Ranking	1	1	1	1	2



Balanced	3m	Ytd	1 Y	3 Y	5 Y
TPS Balanced	**3.9%**	**11.7%**	**12.2%**	**19.4%**	**37.1%**
Peer Group Balanced Asset	2.0%	7.0%	7.4%	14.0%	33.5%
Quartile Ranking	1	1	1	1	2



Growth	3m	Ytd	1 Y	3 Y	5 Y
TPS Growth	**5.8%**	**15.5%**	**16.3%**	**22.8%**	**45.4%**
Peer Group Growth	3.3%	10.2%	10.8%	18.2%	43.5%
Quartile Ranking	1	1	1	1	2



1) Based on the composite performance of Coutts Tailored Portfolio Service sterling portfolios invested in the 3 core strategies; Performance figures are composite returns from the actual portfolios of all clients shown on a total return basis and quoted net of all fees. For the composite performance calculation, individual portfolio monthly returns are asset-weighted based on their respective asset values at the beginning of the month

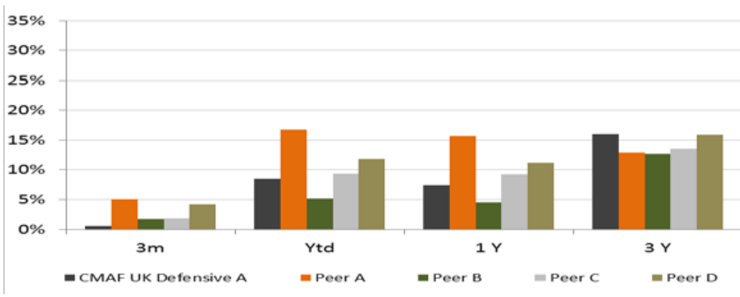
2) Peer group data represents ARC consolidated performance of similar investment strategies sourced from over 50 discretionary private client portfolio managers; ARC PCI data for the latest month and therefore the year-to-date is their estimates. Source: Asset Risk Consultants

Quartile rankings are estimates. Source: Coutts & Co.

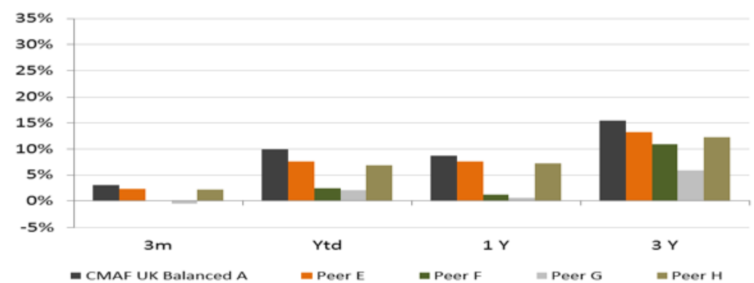
Unitised funds 3 year performance vs. market

Performance versus peers (to 31 October 2016)[1]

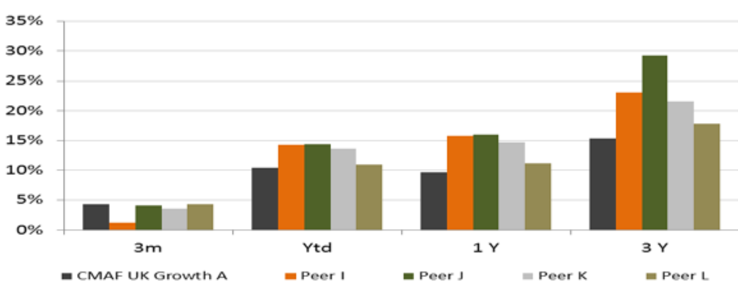
Defensive	3m	Ytd	1 Y	3 Y
CMAF UK Defensive	**0.6%**	**8.4%**	**7.4%**	**16.0%**
Peer A	5.0%	16.7%	15.6%	12.9%
Peer B	1.7%	5.1%	4.4%	12.6%
Peer C	1.8%	9.3%	9.3%	13.5%
Peer D	4.2%	11.7%	11.2%	15.9%



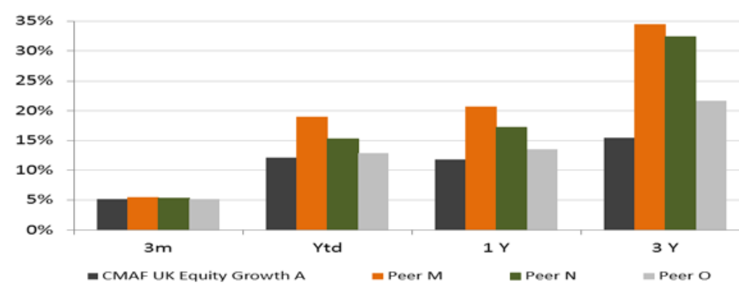
Balanced	3m	Ytd	1 Y	3 Y
CMAF UK Balanced	**3.1%**	**9.9%**	**8.8%**	**15.5%**
Peer E	2.3%	7.6%	7.6%	13.3%
Peer F	0.0%	2.5%	1.2%	10.9%
Peer G	-0.5%	2.1%	0.6%	5.9%
Peer H	2.2%	6.8%	7.2%	12.3%



Growth	3m	Ytd	1 Y	3 Y
CMAF UK Growth	**4.2%**	**10.3%**	**9.6%**	**15.3%**
Peer I	1.1%	14.2%	15.8%	23.0%
Peer J	4.1%	14.3%	15.9%	29.2%
Peer K	3.5%	13.6%	14.7%	21.6%
Peer L	4.2%	11.0%	11.2%	17.8%



Equity Growth	3m	Ytd	1 Y	3 Y
CMAF UK Equity Growth	**5.1%**	**12.1%**	**11.8%**	**15.4%**
Peer M	5.4%	19.0%	20.7%	34.4%
Peer N	5.2%	15.3%	17.2%	32.4%
Peer O	5.1%	12.9%	13.5%	21.7%



1) Past performance should not be taken as a guide to future performance. Source: Coutts & Co. with data provided by Lipper. Return data for funds are calculated net of fees, in Sterling and assumes reinvestment of dividends

Presenter Biography
Peter Flavel

Peter joined RBS as CEO of Private Banking, responsible for Coutts & Co and Adam & Company in March 2016.

Before joining Coutts, Peter held the role of Chief Executive Officer of J.P. Morgan Private Wealth Management, responsible for overseeing and expanding the high net worth business and client base in Asia Pacific. He was a member of the Wealth Management Global Operating Committee. Peter also spent nine years with Standard Chartered, establishing their Global Private Bank in 2006.

In 2012 he was named Outstanding Private Banker – Asia Pacific by PBI. Most recently he was voted 'Best Leader in Private Banking 2015' at the PWM/The Banker Global Private Banking Awards.

Peter holds degrees in Law and Economics and has attended the Advanced Management Programme at both Harvard Business School and the University of Oxford.

RBS International

Andrew McLaughlin, CEO

9 December 2016

Early impressions of the business

RBS International is a good customer franchise with established market positions

It has delivered consistent earnings from long standing customer relationships

The business has been profitable since inception, with a track record of returns and potential to increase volume and quality of earnings

Currently in transition from a deposit gathering franchise to developing a more balanced business model

A bank meeting the needs of three core customer groups

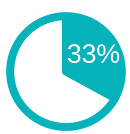
Personal & SME	Private Banking	Financial Institutions

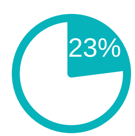
Supporting customer aspirations ⟷ *Connecting capital and insight*

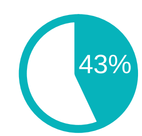
Local retail and commercial customers	Internationally mobile and high net worth customers	Funds, Banks, Insurers, Wealth Managers
NatWest / Isle of Man Bank	Coutts	RBS International

18 branches and one relationship banking centre in Guernsey, Isle of Man, Jersey and Gibraltar(1)

Share of revenues(2)







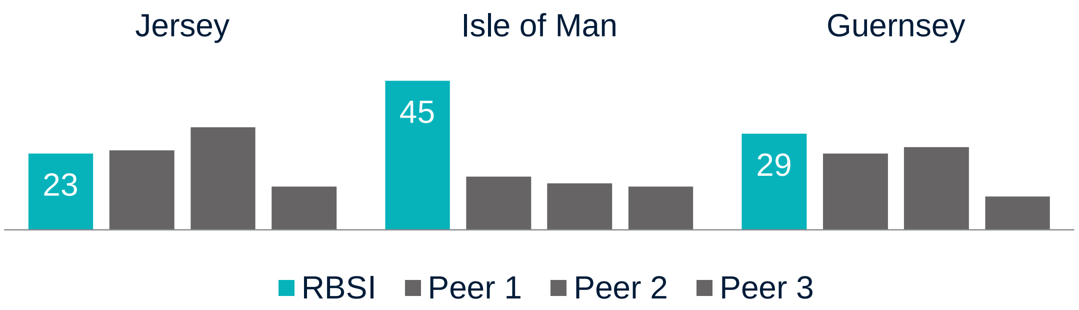
Delivered using RBS banking platform	Delivered using Coutts and RBSI multi-currency banking platforms

~1,500 highly experienced colleagues across customer facing teams, support and control functions

(1) New branches are planned in Luxembourg and London. The Luxembourg branch has been granted a banking licence and licence application has been submitted in respect of London.
(2) Share of revenues does not cast as excludes centrally held items

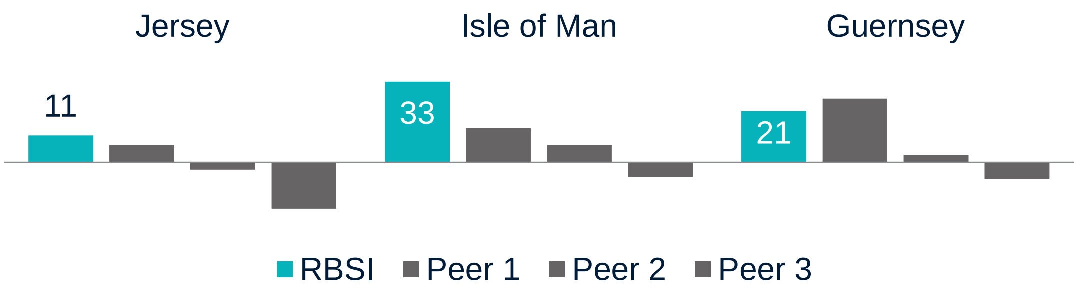
The business has established strong market positions

Personal Current Account Share (%)



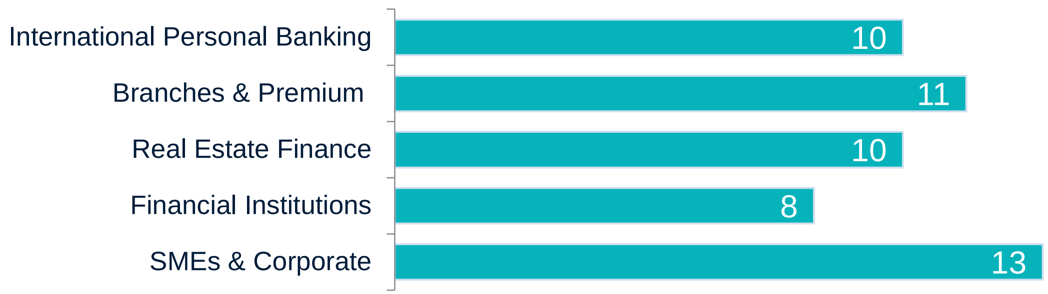
- Top 3 market position in every jurisdiction

Customer NPS (%)



- Strong customer advocacy relative to competitors but room for absolute improvement

Customer Tenure (Years)

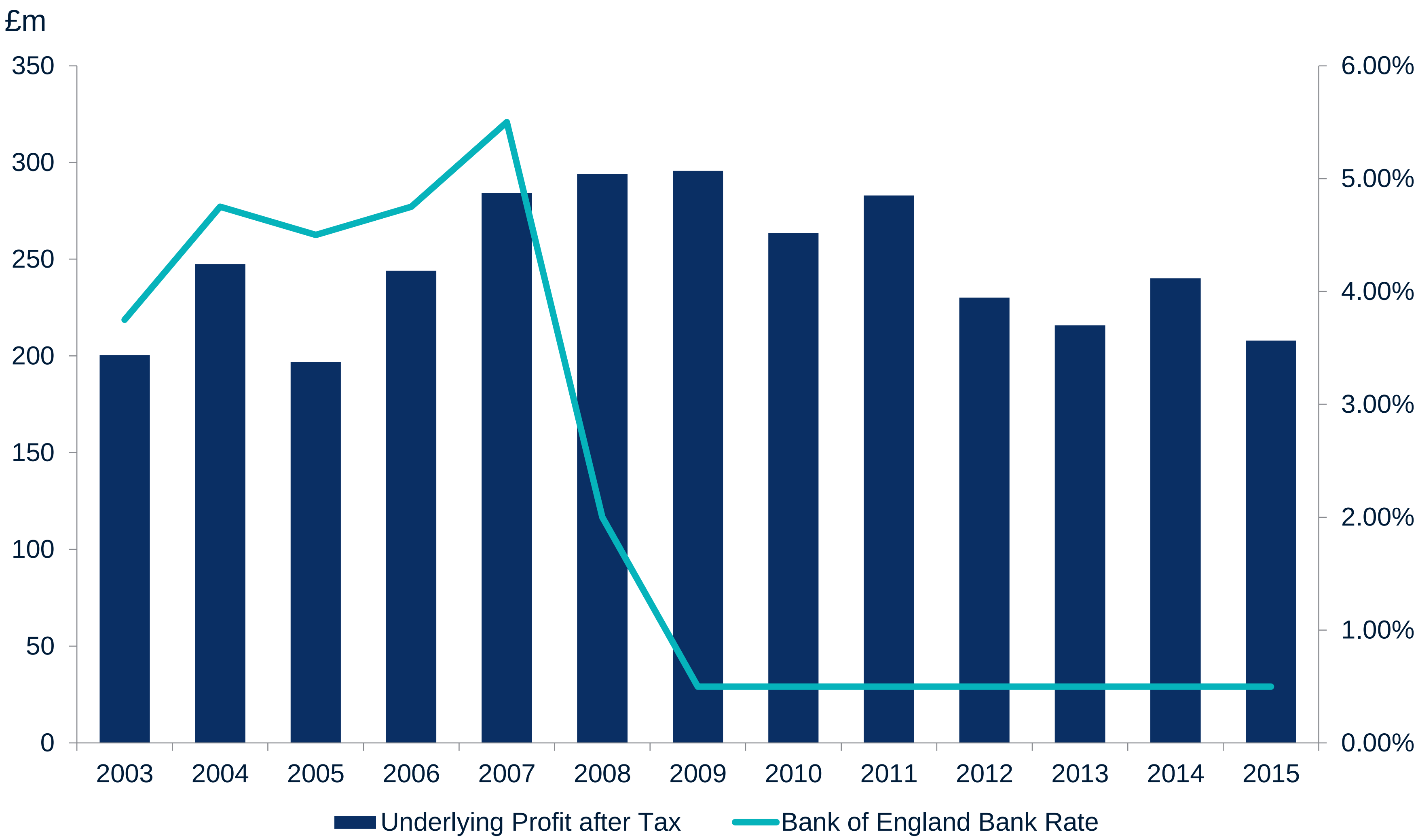


- Long standing customer relationships in all jurisdictions

Source: GfK Survey December 2015

(1) Equivalent data not available for Gibraltar where NatWest is the largest private commercial bank.

Business has shown resilient capacity to generate consistent ~£200m PAT through the cycle



9M 2016 Results by RBS Franchise
RBS International

	Core Franchises							Total Other				Total RBS
	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Total Core Franchises	Capital Resolution	W&G[1]	Central items & other[2]	Total Other	
Adj. Income[3]	4.0	0.4	2.5	0.5	**0.3**	1.2	**8.9**	(0.1)	0.6	(0.4)	0.1	9.0
Adj. Operating expenses[4]	(2.2)	(0.3)	(1.4)	(0.4)	**(0.1)**	(1.0)	**(5.4)**	(0.6)	(0.3)	0.3	(0.6)	(6.0)
Impairment (losses) / releases	(0.1)	0.1	(0.1)	(0.0)	**(0.0)**	-	**(0.1)**	(0.4)	(0.0)	0.0	(0.4)	(0.6)
Adj. operating profit[3,4]	1.7	0.2	1.0	0.1	**0.2**	0.2	**3.4**	(1.1)	0.3	(0.1)	(0.9)	2.5
Funded Assets	155.4	25.2	152.6	18.1	**26.9**	112.5	**490.7**	34.9	25.7	18.0	78.6	569.3
Net L&A to Customers	129.6	19.5	99.8	11.8	**8.7**	19.9	**289.3**	16.7	20.6	0.1	37.4	326.7
Customer Deposits	143.7	15.1	98.1	25.3	**25.5**	9.7	**317.4**	16.8	24.0	0.6	41.4	358.8
RWAs	31.9	21.4	77.6	8.2	**9.6**	36.6	**185.3**	38.6	9.7	1.6	49.9	235.2
LDR	90%	129%	102%	47%	**34%**	n.m.	**91%**	99%	86%	n.m.	90%	91%
Adj. RoE (%)[3,5]	26%	9%	9%	9%	**16%**	2%	**12%**	n.m.	n.m.	n.m.	n.m.	(0.6%)
Adj. Cost : Income ratio (%)[3,4]	56%	72%	54%	74%	**39%**	81%	**60%**	n.m.	48%	n.m.	n.m.	66%

[1]'Williams and Glyn' refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses along with certain small and medium enterprises and corporate activities across the UK [2] Central items include unallocated costs and assets which principally comprise volatile items under IFRS [3] Excluding own credit adjustments, gains/(losses) on redemption of own debt and strategic disposals [4] Excluding restructuring costs and litigation and conduct costs and goodwill [5] RBS's CET1 target is 13% but for the purposes of computing segmental return on equity (RoE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets after capital deductions (RWAes) *Totals may not cast due to rounding.

Q3 YTD 2016 results by customer groups

£m	Core customer groups			Total RBSI
	Personal & SME	Private Banking	Financial Institutions	
Adj. Income	93	50	135	**278**
Adj. Operating expenses[(1)]	(49)	(21)	(36)	**(108)**
Impairment (losses) / releases	(1)	(9)	(1)	**(11)**
Adj. operating profit[(1)]	43	18	98	**159**
Funded Assets	5,316	6,433	15,184	**26,933**
Net L&A to Customers	2,770	1,242	4,633	**8,645**
Customer Deposits	4,549	3,921	17,001	**25,471**
RWAs (excl. intragroup)	2,944	623	6,033	**9,600**
Loan : Deposit Ratio	61%	32%	27%	**34%**
Adj. RoE (%)[(1,2)]	13%	15%	17%	**16%**
Adj. Cost : Income ratio (%)[(1)]	53%	47%	27%	**39%**

- RBS International established as a deposit-led business
- The LDR is rising steadily and will increase further through ring-fencing
- Simple capital and funding structure with no wholesale funding needs and capital comprised of shareholder funds and retained profits
- Well positioned for post ring-fencing regulatory minima

[(1)] Excluding restructuring costs and litigation and conduct costs and goodwill [(2)] RBS's CET1 target is 13% but for the purposes of computing segmental return on equity (RoE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets after capital deductions (RWAes). RBSI management target 13% CET1 ratio to reflect local regulatory minima and operating environment *Totals may not cast due to rounding. Note: this represents a management view, these figures are not audited

What is the strategic focus for the next three years?

Our Ambition	**No. 1** For customer service, trust and advocacy				
Our Purpose	Serve customers well				
Our Values	Serving customers	Working together	Doing the right thing	Thinking long term	
Our Brands	RBS International	NatWest	Isle of Man Bank	Coutts	
Our 3 Year Priorities	1 Reposition deposits for returns	2 Meet more needs of existing customers	3 Execute low risk growth plans	Strengthen risk & control environment	Build an ICB compliant bank
RBS Long Term targets	CET1 ratio >13% RoE ≥ 12%	Engaged and motivated colleagues	Cost:Income ratio <50%	Leading market positions in each business	No. 1 for service, trust and advocacy

1 Repositioning the liability strategy ahead of ICB and responding to lower for longer

RBS International

	Personal & SME	Private Banking	Financial Institutions	Total RBSI
Deposits	£4.5bn	£3.9bn	£17bn	£25.5bn
LDR	61%	32%	27%	34%

Charging negative rates

- Charging of negative rates for € for wholesale customers commenced February 2016
- Capability available should sterling also go negative

Building Liquidity portfolio

- Required under ICB to build a HQLA portfolio
- Expect ~£2bn to be in place for Q117 and full build complete YE17
- Will reduce indirect treasury allocation costs

Enhancing value of deposits

- Series of ALM initiatives to improve value of deposits
- Introduction of Notice Product and term out
- Data cleansing project to reduce liquidity buffer

2 Our market research confirms that we can meet more of our existing customers needs

Current Accounts

	Current share	'Natural share'	Balance Opportunity
Jersey	23%	30%	£40m - £50m
Isle of Man	45%	-	-
Guernsey	29%	30%	£2m - £5m

Mortgages

	Current share	'Natural share'	Balance Opportunity
Jersey	13%	25%	£400m - £500m
Isle of Man	23%	25%	£20m - £30m
Guernsey	25%	25%	-

Personal Lending

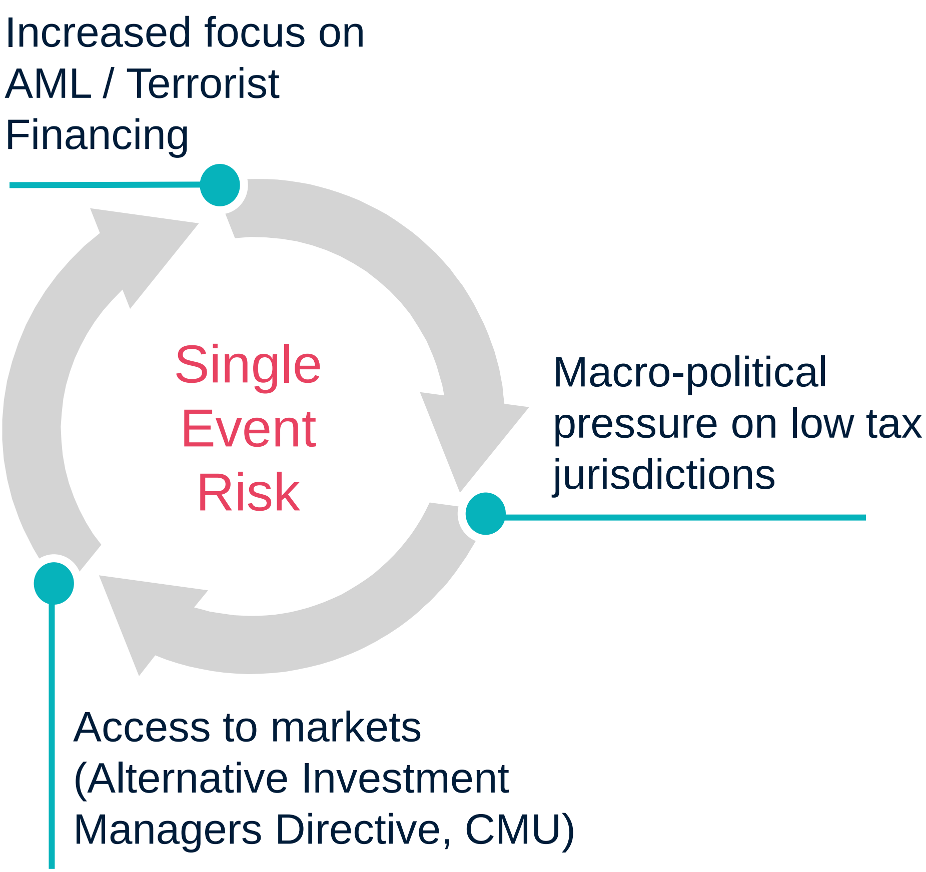
	Current share	'Natural share'	Balance Opportunity
Jersey	9%	20%	£15m - £20m
Isle of Man	14%	20%	£3m - £5m
Guernsey	9%	20%	£10m - £20m

3 Opportunities for growth

RBS International

	Description of initiative	Indicative Revenues
London Branch	▪ New wholesale branch to adopt customers who cannot borrow from ring-fenced bank (RFB) ▪ Licence application submitted, technical build underway – expect doors open first half 2017	**£60m - £75m**
Luxembourg Branch	▪ New wholesale branch to replace existing CIB activities to focus on the FI segment ▪ Banking licence approved, technical build well progressed, doors open March 2017	**£10m - £15m**
Coutts CROWN DEPENDENCIES	▪ New platform delivered in Jersey and 600 customers migrated from Coutts, Zurich ▪ Opportunity to meet needs of local HNWs and UK Coutts client who need ex UK booking option	**£10m - £15m**

The business has similar risk register to the NatWest franchises but also inherent jurisdictional risks



- Small, international financial centres have inherent single event risk
- Policymakers have managed this risk by seeking “regulatory equivalence” and committing to international standards in AML / FATF[1], tax transparency, prudential and conduct standards
- That requires extensive file remediation exercise
- RBSI is investing in a risk programme to meet standards and future proof for growth

[1] Financial Action Task Force

Medium term outlook from Q3 2016

	9 months 2016	Outlook from Q3 2016
Profit & Loss (£m)		
Income	278	
Adj. Costs	(108)	
Impairment losses	(11)	
Adj. Operating Profit	159	
Balance Sheet (£bn)		
Net L&A	8.7	
Deposits	25.5	
RWAs	9.6	
Key Performance Metrics (%)		
Adj. CIR	39	
Adj. RoE	16	
LDR	34	
NIM	1.37	

P&L

Income

- Expect lower for longer to continue to squeeze deposit and loan margins
- Volume growth will offset impact of compression

Costs

- Operating costs will remain tightly managed but will continue to selectively invest in improving the customer proposition in key areas that will drive growth and positive jaws

Balance Sheet

Lending

- Expect continued growth in focus areas of mortgages, personal lending and funds

Deposits

- ALM exercises planned to improve returns / value from deposits, may lead to moderately lower volumes
- Negative rates charging capability in place should sterling move into negative territory

RWAs

- Building RBSI liquid asset buffer and seeking equivalent capital treatment for FIs should lower RWAs

Key Messages

A retail and commercial bank with strong market position

Consistent profits built on long standing customer relationships

Executing against strategic intent to deepen customer relationships

Consistent profit performance again in 2016

Inherent jurisdictional risks understood and managed

Appendices

Presenter Biography
Andrew McLaughlin

- Dr Andrew McLaughlin was appointed as the CEO of RBS International in July 2015. He was formerly Director, Communications and Chief Economist for RBS. Before joining the bank, he spent three years in corporate finance advisory work with Ernst and Young.
- Andrew holds a first class honours degree in Economics and Politics. His 1993 doctoral thesis won the prestigious Walter Bagehot prize for best UK dissertation. Andrew spent several years working in academia before beginning his commercial career. He published a book on the automobile industry in 1998.
- He is a member of the University of Nottingham Globalisation and Economic Policy Advisory Board and sits on the CBI Economic Affairs Committee. Andrew was previously a regular commentator in UK print and broadcast media and also a columnist in China Daily, China's leading business newspaper.

Appendix 2: RBS International will be outside of the ring-fenced bank

Proposed Future Ring-Fenced Legal Entity Structure [1]

The Royal Bank of Scotland Group Plc
Group Holding Company and primary issuing entity for MREL

Proportional Intercompany issuance of Loss Absorbing Capital

NatWest Holdings Limited
Ring-Fenced Bank Intermediate Holding Company
New entity to be introduced in early 2017

The Royal Bank of Scotland Plc
Currently Adam & Company PLC
(Entity to be renamed on receipt of certain businesses[2] from RBS plc in mid-2018)

National Westminster Bank Plc
Personal, private, business and commercial customers in England and Wales and Western European customers

Ulster Bank Ireland DAC

Ulster Bank Ltd

Coutts & Company

Ring-Fence ~80% of RWA

RBS International Ltd
Existing Holding Company to entities servicing to our Jersey, Guernsey, Gibraltar and Isle of Man customers
(Non-EEA domiciles not permitted in ring-fence)

~5% of RWA

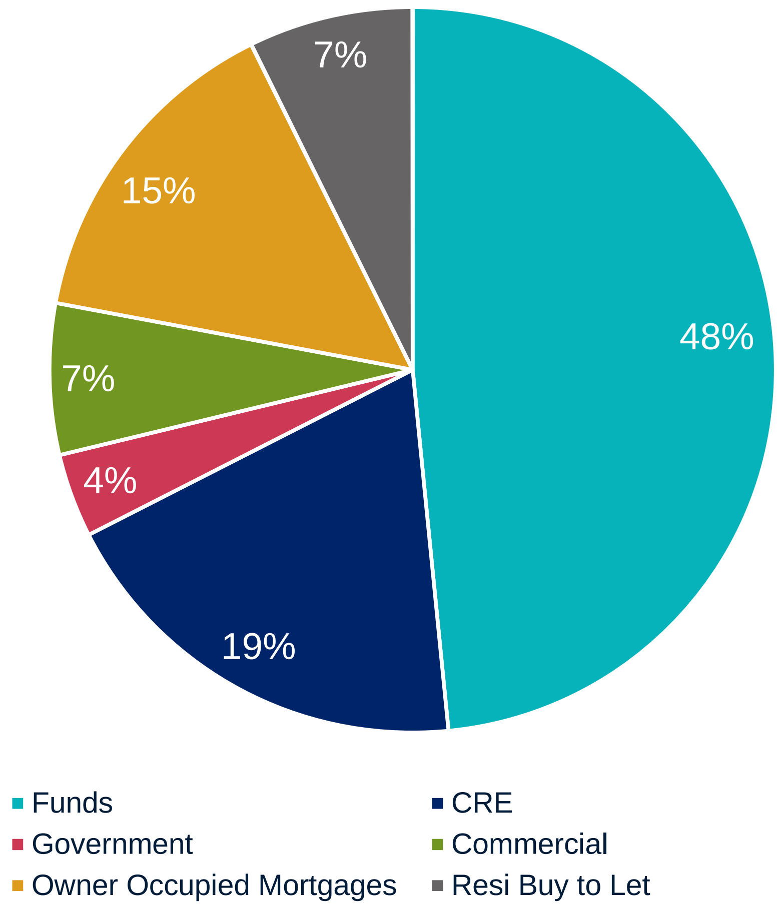
NatWest Markets Plc
Currently RBS plc
Entity will continue to operate our CIB businesses
(Most non-CIB customer business to be transferred to Adam & Company plc alongside rename of entity in mid-2018)

~15% of RWA

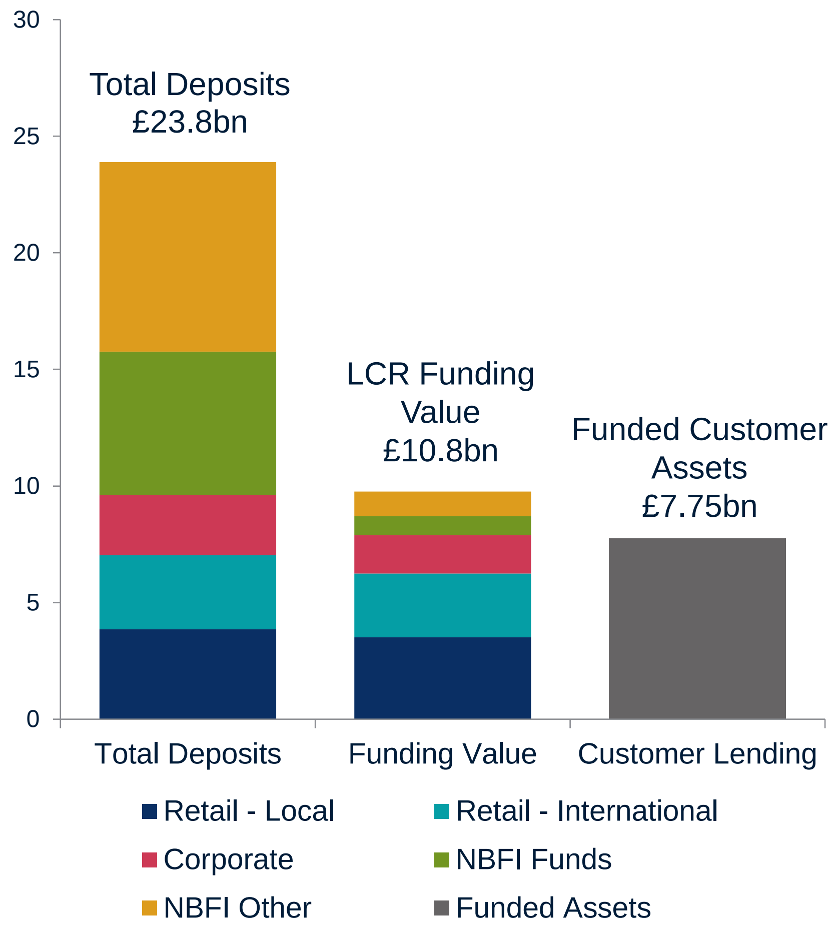
[1] Our final ring-fenced legal structure and the actions taken to achieve it, remain subject to, amongst other factors, additional regulatory, Board and other approvals as well as employee information and consultation procedures. All such actions and their respective timings may be subject to change, or additional actions may be required, including as a result of external and internal factors including further regulatory, corporate or other developments. [2] Most of our existing personal, private, business and commercial customers from The Royal Bank of Scotland plc. Note, RWA allocation based on RBS target future profile, excludes Capital Resolution.

Appendix 3: Credit book and funding profile

Total Customer Exposure[1]



Funding Profile[2]



[1] Total Customer Exposure as at September 2016 excl. £10m of Shipping limits

[2] Funding Profile reflects legal entity liquidity view and does not include current Luxembourg deposits which are included in the segmental reporting on slides 6 & 7

Appendix 4: Spotlight on funds – illustrative client profile

Name: Henry Tonnington **Position:** Chief Operating Officer
Location: London **Segment:** Funds (Private Equity Real Estate)

Tasmania Capital Partners (TCP) are a real estate investment house based in London who have successfully raised over £2.5bn of institutional investment into their six closed ended funds from a range of US and European pension funds, endowments and family offices.

TCP invest in UK and Western European commercial real estate using a range of asset management strategies including value add with funds domiciled in Jersey and Luxembourg.

TCP's six funds are at a different stages. Fund I having realised all of its assets is in the process of returning capital and profits to investors through to Fund VI which is reaching the closing stages of fund raising with investor commitments of more than £750m.

The business is run by a small and focused team of real estate professionals with surveying, legal, corporate finance and asset management backgrounds. Transaction teams are supported by a small back office function led by Henry.

Needs

- Access to experienced relationship bankers with an intimate sector knowledge
- A banker able to deliver wider bank teams that add value e.g. asset level financing, structured finance, risk management solutions (FX, rates) and debt capital markets
- Structured investor subscription bridging facilities and asset level financing
- Consistent on-boarding experience across network and intuitive and easy to use electronic banking system

Challenges

- Acquisitions are always competitive so need to execute transactions against demanding timetables
- Strong performance has led to upsize in investor commitments for latest fund and TCP are keen to diversify funding sources across 2 or 3 banks
- Henry and the operations team need a consistent experience across the RBS network in terms of on-boarding, servicing and delivering credit

Why RBS International?

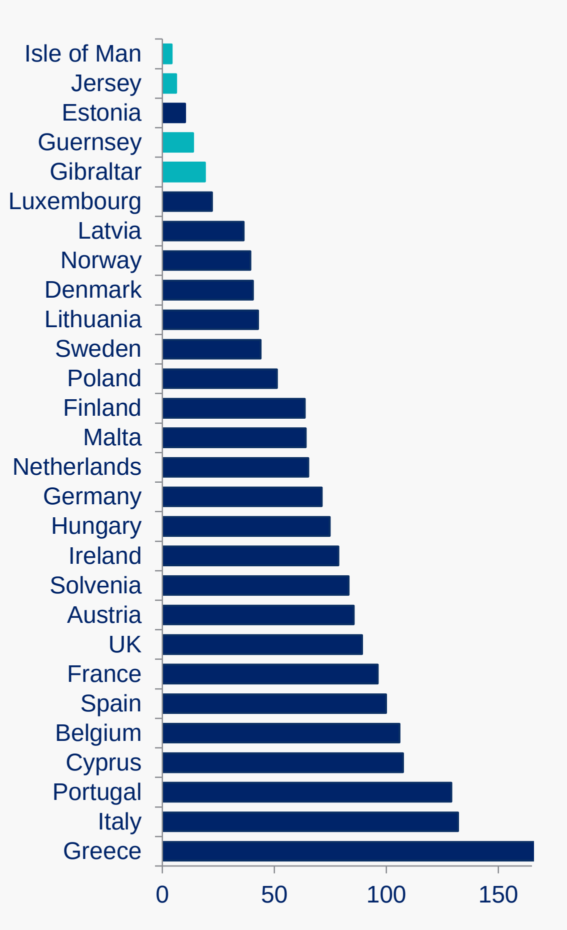
- RBS International have supported TCP through the cycle including the 2008/09 crisis
- Simplicity of the multi-currency platform and electronic banking platform is critical however would welcome increased functionality as firm grows to become multi-banked
- Close working relationship between the Funds coverage team and real estate has been key to winning a number of asset level financings

Product Requirements

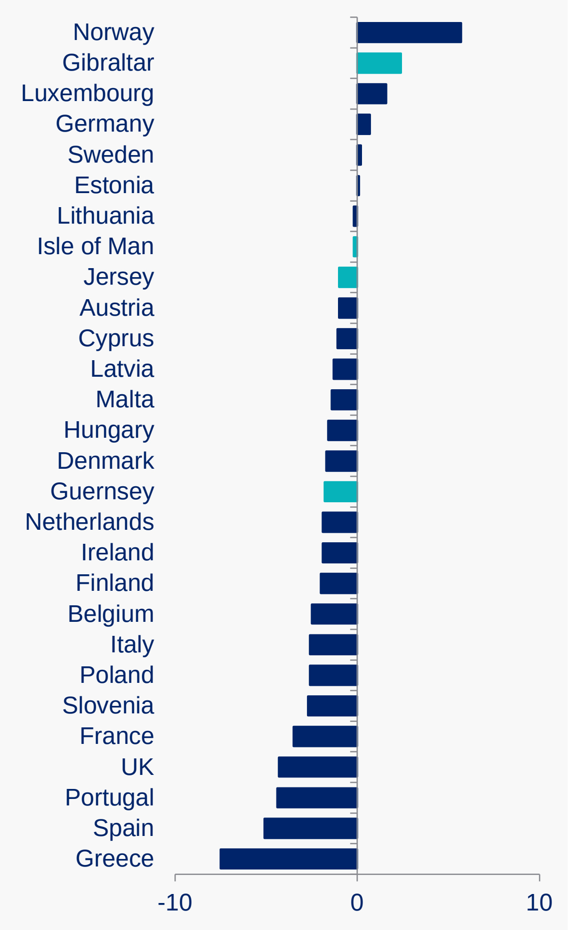
Banking	- Multi-currency MTAs - Fixed terms deposits & treasury solutions - Private Banking for partners
Financing	- Investor subscription bridging facilities - Asset level financing - Trade Financing (LOC's / Bonds & Guarantees)
Risk Solutions & Advice	- Flow FX (payment related) - Structured FX (transaction related) - Rate risk management (hedging)

Appendix 5: Local economies relatively advantaged in terms of economic outlook and public finances

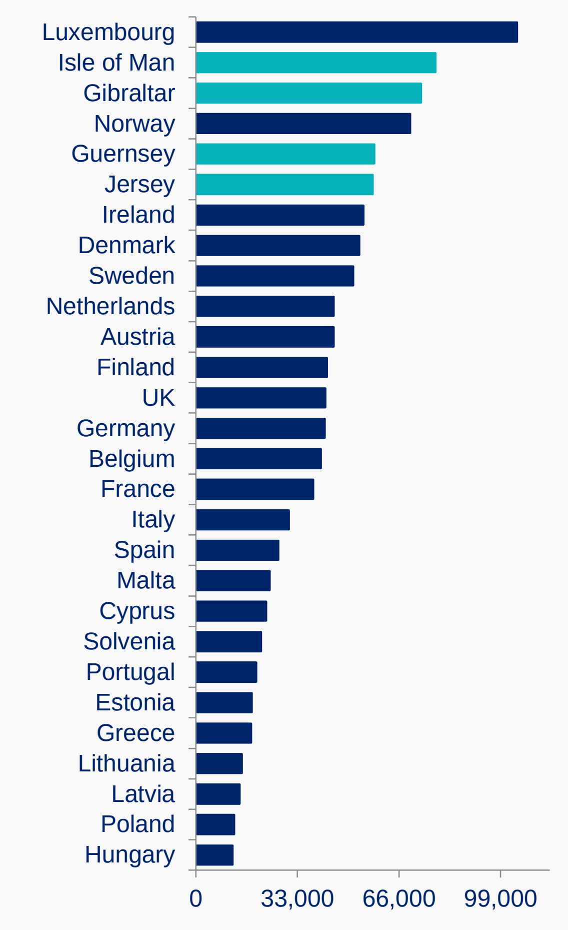
Low public debt levels
Sovereign Debt to GDP % [1]



Prudent management of budgets
Budget deficit / surplus % [2]



High income economies
GDP per capita US Dollars [3]



[1] National Accounts / Eurostat Publication 204/2016. [2] National Accounts / Eurostat Publication 204/2016.
[3] GDP per Capita, Current Prices basis (US Dollars per Capita) - National Accounts / World Bank & IMF

Appendix 6: Key events that have shaped RBS International

RBS International

- **1963** Channel Isles branches opened
- **1973** Isle of Man business established
- **1989** Gibraltar business established
- **1990** International Personal Banking set up
- **1994** Board of RBS identify RBSI jurisdictions as high growth opportunity
- **1996** RBS International formed
- **1998** £30m investment in IBBA currency platform
- **2000** Acquisition of NatWest Offshore
- **2001** Launch of corporate banking platform (eQ)
- **2006** iBanking currency platform launched
- **2011** First offshore bank to launch iOS mobile app
- **2011** FX & Money Market tools added to eQ
- **2015** New CEO appointed and strategy refreshed
- **2016** eQ Next Generation commissioned. Lux branch licence granted

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’s (RBS) restructuring which includes the divestment of Williams & Glyn, litigation, government and regulatory investigations, the proposed restructuring of RBS’s CIB business, the implementation of the UK ring-fencing regime, cost-reduction targets and progress relating thereto, the implementation of a major development program to update RBS’s IT infrastructure and the continuation of its balance sheet reduction programme, the impact of the UK’s referendum on its membership of the European Union and impact thereof on the RBS’s markets, prospects, financial and capital position and strategy, 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), Pillar 2A, return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, AT1 and other funding plans, funding and credit risk profile; 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 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 RBS’s 2015 Annual Report and Accounts, RBS’s 2016 Interim Results and in this report under “Risk Factors”. These include the significant risks for RBS presented by the outcomes of the legal, regulatory and governmental actions and investigations that RBS is subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes (including where resolved by settlement); the economic, regulatory and political uncertainty arising from the majority vote to leave in the referendum on the UK’s membership in the European Union and the revived political uncertainty regarding Scottish independence; the 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 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 strategic refocus on the UK, the impact of global economic and financial market conditions (including low or negative interest rates) as well as increasing competition. In addition, there are other risks and uncertainties. These include operational risks that are inherent to RBS’s business and will increase as a result of RBS’s significant restructuring; the potential negative impact on RBS’s business of actual or perceived global economic and financial market conditions and other global risks; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; the risk of failure to realise the benefit of RBS’s substantial investments in its information technology and systems, the risk of failing to preventing a failure of RBS’s IT systems or to protect itself and its customers against cyber threats, reputational risks; risks relating to the failure to embed and maintain a robust conduct and risk culture across the organisation or if its risk management framework is ineffective; risks relating to increased pension liabilities and the impact of pension risk on RBS’s capital position; increased competitive pressures resulting from new incumbents and disruptive technologies; RBS’s ability to attract and retain qualified personnel; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS’s activities as a result of HM Treasury’s investment in RBS; the extent of future write-downs and impairment charges caused by depressed asset valuations; deteriorations in borrower and counterparty credit quality; the value and effectiveness of any credit protection purchased by RBS; risks relating to the reliance on valuation, capital and stress test models and any inaccuracies resulting therefrom or failure to accurately reflect changes in the micro and macroeconomic environment in which RBS operates, risks relating to changes in applicable accounting policies or rules which may impact the preparation of RBS’s financial statements; the impact of the recovery and resolution framework and other prudential rules to which RBS is subject; the recoverability of deferred tax assets; and the success of RBS in managing the risks involved in the foregoing.

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

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