Today’s speakers

Alison Rose, Chief Executive Officer CPB

Rob Whittick, Finance Director CPB

Andy Ellis, Head of Strategy CPB
Agenda

Business Overview

Commercial & Private Banking Strategy

Financial Performance & Outlook

Summary
Commercial and Private Banking

#1 UK Commercial and Private Banking franchises

Significant and growing contribution to Bank performance

Strong market position to benefit as UK economy grows

Bringing together wealth creators and wealth managers

Investing in our business for the benefit of our customers

Targeting attractive returns, built on leading customer proposition and efficiency
CPB is a key pillar in the Bank’s strategy

RBS blueprint for lasting success…

Our Ambition
No.1 for customer service, trust and advocacy by 2020

Our Purpose
Serve customers well

Our Values
Serving customers | Working together | Doing the right thing | Thinking long term

Our Brands
NatWest | Royal Bank of Scotland | Coutts | Ulster Bank

Our 2014 Focus
Capital Build | £1 billion Costs Removed | Resilient Systems | Implement Organisation Design | 2015-17 Plan Agreed

…for the customers we serve

Personal & Business Banking
Customers we serve
UK Mass Retail | UK Affluent | UK Small Businesses
Steady state\textsuperscript{1} business profile
RWA | Op. Profit | RoE
14.8m | 0.7m | 0.8m

Ulster 0.7m across these 3 segments

Commercial & Private Banking
Customers we serve
High Net Worth | UK Commercial | UK Mid Corporate
Steady state\textsuperscript{1} business profile
RWA | Op. Profit | RoE
62k | 67k | 12k

Corporate & Institutional Banking
Customers we serve
Large & Complex Corporate | Financial institutions
Steady state\textsuperscript{1} business profile
RWA | Op. Profit | RoE
~1200 | ~350

\textsuperscript{1} Steady state defined as 2018-2020
## Market leading franchises and clear proposition

### Commercial & Private Banking

<table>
<thead>
<tr>
<th>UK Commercial</th>
<th>UK Mid Corporate</th>
<th>High Net Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Companies with turnover £2m-£25m</strong></td>
<td><strong>Companies with turnover £25m+</strong></td>
<td>&gt;£1m invested with Coutts/Adam</td>
</tr>
<tr>
<td>- #1 UK Corporate bank:</td>
<td></td>
<td>- #1 UK private bank:</td>
</tr>
<tr>
<td>- 67k Commercial and 12k Corporate customers</td>
<td>- 62k UK customers</td>
<td>- Market leading share of CAL(^1) (7%)</td>
</tr>
<tr>
<td>- 31% market share of relationships</td>
<td>- Served by over 2.5k UK employees</td>
<td>- Served by over 2.5k UK employees</td>
</tr>
<tr>
<td>- Local presence in 100+ UK locations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Served by over 7k employees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Relationship-led target proposition

**RM at the centre**
- Dedicated relationship management
- Best bankers in the market
- Serve customers with mutual long term benefits

**Supported by...**
- Excellent service
- Simplified set of fairly priced products
- Clear and strong brand proposition
Refreshed leadership team with deep expertise

- Average 25 years banking experience
- Balance shifted towards customer and front-line focus
- Governance and accountabilities to manage key risks streamlined and clearly defined
Customer focused strategy

#1 for customer service, trust and advocacy by 2020

- Customers first
  - Customer-obsessed culture
  - Anticipating needs
  - Exceeding expectations
  - Long term relationships

- Simplicity and discipline
  - Be easy to do business with
  - Empowering our people
  - Robust control environment

- Winning together
  - Deliver value for our customers
  - Improved collaboration
  - Encourage and support our people

- Backing UK business and communities
  - Supporting financing needs of UK business
  - Contribute to community in which we operate

Our values guide the way we do business
Early wins and comprehensive plan in place

Progress highlights

- New leadership in place
- Organisation redesigned around customer
- Governance simplified: 17 committees down to 5
- High Net Worth review complete
- Clear PBB/CPB/CIB perimeters established
- Cost quick wins: 50% reduction in management layers
- Product rationalisation underway: 120 removed from sale
- ‘Simplifying customer life’: 300 ideas implemented
- Revenue campaigns launched
- RM training and accreditation review complete

2014–2018 initiatives: ~£1bn investment spend

1. Customer programme
2. Segments, analytics & profitability
3. Banker tools & capability
4. Customer channels
5. Simplifying customer life
6. Account opening / onboarding
7. Cost rationalisation
8. Product management
9. Lending
10. Revenue campaigns
11. Private strategy / CPB connectivity
12. Accountability / empowerment of our people
13. Sustainability and diversity
14. Innovation
15. Branding
16. Entrepreneurs

Customers first

Simplicity and discipline

Winning together

Backing UK business and communities
Agenda

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Summary
### Understanding the drivers of customer advocacy

<table>
<thead>
<tr>
<th>Advocacy drivers</th>
<th>Importance¹</th>
<th>Performance</th>
<th>Impact on NPS¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£2-25m</td>
<td>£25m+</td>
<td>£2-25m</td>
</tr>
<tr>
<td>“I have an <strong>excellent</strong> RM – understands my needs and delivers benefit”</td>
<td>#2</td>
<td>#1</td>
<td>37%²</td>
</tr>
<tr>
<td>“I get <strong>value for money</strong> – fair and clear pricing and service that reflects what I pay for”</td>
<td>#1</td>
<td>#4</td>
<td>11%³</td>
</tr>
<tr>
<td>“You are <strong>easy to deal with</strong> – things are simple and issues are dealt with efficiently and quickly”</td>
<td>#3</td>
<td>#3</td>
<td>24%⁴</td>
</tr>
<tr>
<td>“You’ll <strong>support my financial needs</strong> – and bring solutions that benefit me”</td>
<td>#4</td>
<td>#2</td>
<td>16%⁵</td>
</tr>
</tbody>
</table>

1) Internal analysis on Importance and Net Promoter Score (NPS) impact
Source: Charterhouse YE Q2 2014 RBSG scores for 2) % rating RM as ‘excellent; 3) % rating overall value for money as ‘excellent; 4) % rating quality of service over the past year as ‘excellent; 5) % rating making finance available to businesses as ‘excellent.”
Making progress on advocacy but lots to be done

- NatWest clear **market leader** but work to be done on the RBS brand
- RM satisfaction at 71%, up 7% from 2013\(^1\)
- Poor for trust: NatWest 4\(^{th}\) (RBS 5\(^{th}\) out of 5)\(^3\)

- Brand differential considerable: NatWest #2 but lots of work to be done on the RBS brand
- RM satisfaction at 86%, up 5% from 2013\(^2\)
- Rank **last** for trust overall\(^3\)

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1) Charterhouse YE Q2 2014: % rating RM satisfaction as excellent/ very good
2) Ipsos MORI August 2014: % rating RM satisfaction as very satisfied
3) Charterhouse YE Q2 2014: % customers mentioning their main bank for trust

Note: Overall split of Natwest:RBS customers surveyed = 65:35
Investing in our bankers to meet customer needs

1 Refresh banker cohort

- Highly experienced RMs (40% tenures of 30+ years)
- Limited diversity (25% female)
- Scale of network allows industry leading insight
- Reshape RM profile to align to changing customer profile over next 3-5 years

2 Banker training

RMs are professional, well trained, focused on customer needs

- Accreditation & Professional Qualifications
  - 90% RMs professionally qualified by end 2017
- ‘Needs-based’ training, product training and CPD
  - All RMs to complete ‘customer experience’ training by end 2018

3 Banker tools

Supported by the right tools to do their job effectively

4 Banker performance

Tougher management on both skills and behaviours

- Behaviours & operating standards
- Consistent banker scorecard
- Individual performance objectives

Underpinned by Values & Professional Standards

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1) Continuous Professional Development
Embedding good customer conduct into the culture

Conduct underpins our customer plan

### 23 Good Customer outcomes

<table>
<thead>
<tr>
<th>Role</th>
<th>Model and Strategy</th>
<th>Product Design</th>
<th>Sales Process</th>
<th>Post-Sales Process</th>
<th>Governance and Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conduct</strong></td>
<td><strong>Our purpose is to serve our customers well:</strong></td>
<td><strong>Our products are designed to meet the needs of customers at a fair price:</strong></td>
<td><strong>Our products are suitable for customers and are marketed and sold appropriately:</strong></td>
<td><strong>Our products remain appropriate for the needs of our customers:</strong></td>
<td><strong>We act in an open, direct and considered manner:</strong></td>
</tr>
<tr>
<td></td>
<td>- Our people are appropriately trained, managed and incentivised to serve our customers well and deliver fair outcomes.</td>
<td>- The best of complexity in our products is appropriate for the target market needs and can be clearly understood by the point of sale.</td>
<td>- Product profitability is fully understood and is shown in risk projections and scenario analysis.</td>
<td>- Product design and pricing structures are transparent and fair, with no hidden charges.</td>
<td>- The terms and conditions and any associated customer service are fully explained in its marketing materials or otherwise documented.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- In our customer relationship are clear, fair and not misleading.</td>
<td>- We have the necessary training, tools and methodologies to successfully identify customer needs, and understand their products, information or strategy.</td>
<td>- Any善良 basis on which our products are evaluated in a fair and unbiased manner is clearly evidence.</td>
<td>- Any customer complaints are assessed and handled appropriately and in a timely manner.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Delivery of post-sales support is inline with customer expectations.</td>
<td>- Products and services are developed and managed in a fair and unbiased manner.</td>
<td>- Products and services are developed and managed in a fair and unbiased manner.</td>
<td>- Products and services are delivered and managed in a fair and unbiased manner.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The performance of our products is reviewed and monitored regularly.</td>
<td>- The performance of our products is reviewed and monitored regularly.</td>
<td>- The performance of our products is reviewed and monitored regularly.</td>
<td>- The performance of our products is reviewed and monitored regularly.</td>
</tr>
</tbody>
</table>

### Completed

- Product governance, guidelines and tools enhanced
- Business MI developed to track against customer outcomes
- Specific Product and Pricing Committees introduced
- Good Customer Outcomes training to 6,000 staff
- Enhanced complaint handling system

### Underway

- New sales tools developed and being introduced
- Product rationalisation underway
- Customer outcomes in performance objectives by 2015
- Vulnerable Customer programme in development
- Continuous Professional Development being enhanced

**Examples of activities**

- **Integrated into our Customer Plans**

**Customers First**
## Focused on fixing basic customer processes

<table>
<thead>
<tr>
<th>Customer outcomes</th>
<th>Key measures of success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
<td><strong>2016+</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Customers can upload ID documents online</td>
<td>▪ Reduced from 33 days to 1, and complex clients to 15 days</td>
</tr>
<tr>
<td>▪ Text message updates on account opening progress</td>
<td>▪ Complaints reduced by 50%</td>
</tr>
<tr>
<td>▪ E2E process reengineering &amp; tracking to speed up process</td>
<td>▪ 5 day approval from receipt of all documentation for simple loans</td>
</tr>
<tr>
<td>▪ RMGs with mandate to make decisions closer to customer</td>
<td>▪ Fewer credit platforms and applications, reducing IT costs</td>
</tr>
<tr>
<td>▪ Single CRM system available to all bank staff</td>
<td>▪ 14 customer logons reduced to 1</td>
</tr>
<tr>
<td>▪ Number of online sign-on’s halved</td>
<td>▪ Services provided through single point of access</td>
</tr>
<tr>
<td>▪ Increased self serve incl. data driven tools help them analyse their business</td>
<td></td>
</tr>
</tbody>
</table>
Simplifying our product set

<table>
<thead>
<tr>
<th># of on-sale products¹</th>
<th>251</th>
<th>(60)%</th>
<th>120</th>
<th>~100</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YE 2014 target</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YE 2015 target</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Lending
- Deposits
- Cash & Channel
- International
- Lombard
- Mentor
- Other²

But retaining breadth of product capability

<table>
<thead>
<tr>
<th></th>
<th>RBS</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Finance</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Invoice Finance</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Transaction Services</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>International</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Wealth</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>FIC</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

- Easier for frontline to match customer need to product
- Simplifies product management, process and systems
- Better customer outcomes and conduct

- One bank, connecting our customers across the franchises:
  - Corporate & Institutional Banking (~£200m revenue³)
  - Personal & Business Banking (~£65m revenue³)

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1) Operational view of product. Count includes product variants managed by CPB and sold to the <£25m turnover segment
2) Other includes Commercial Cards, RBSIF, Third party products e.g. Worldpay
3) Indicative yearly connectivity revenues
## Risk and control frameworks in place

### Significantly enhanced risk management processes

- Governance and accountabilities to manage key risks streamlined and clearly defined
- Credit risk appetite (sector and asset class) and credit approval frameworks embedded enabling disciplined origination
- Operational risk framework closely managed with focus on bringing key risks within appetite
- Conduct framework continues to develop and evolve

### Top risks well managed and mitigated

<table>
<thead>
<tr>
<th>#</th>
<th>Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IT stability &amp; security</td>
<td>Atlas programme, significant focus and bank-wide investment</td>
</tr>
<tr>
<td>2</td>
<td>AML</td>
<td>Ongoing enhancements to AML controls</td>
</tr>
<tr>
<td>3</td>
<td>Conduct towards our customers</td>
<td>Enhancing Conduct framework including product suitability</td>
</tr>
<tr>
<td>4</td>
<td>Regulation</td>
<td>Proactive engagement with regulatory bodies incl. key changes e.g. ICB</td>
</tr>
<tr>
<td>5</td>
<td>Competition</td>
<td>Clear market proposition and proactively engaging with the CMA</td>
</tr>
<tr>
<td>6</td>
<td>Fraud</td>
<td>Improving fraud detection software, framework and sophisticated profiling</td>
</tr>
</tbody>
</table>
CRE portfolio is well managed, with focus on returns

CRE balances have been tightly managed...

- Gross drawn assets (£bn)
  - Dec-11: £25bn
  - Dec-12: £22bn
  - Dec-13: £20bn
  - Jun-14: £19bn

  Concentration\(^1\) from 28% to 22% over the period

  Jun-14 RWA: £16bn

...and the risk profile enhanced\(^2\)

- Through a combination of origination discipline and de-risking

<table>
<thead>
<tr>
<th></th>
<th>December 2011</th>
<th>June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan to Value</td>
<td>66%</td>
<td>61%</td>
</tr>
<tr>
<td>Interest Cover Ratio</td>
<td>2.9x</td>
<td>4.2x</td>
</tr>
</tbody>
</table>

Origination discipline and sensible management to deliver a smaller, more profitable CRE business

- Managing down legacy exposures
- Managing down Single Name Concentration excesses
- Origination discipline enhanced
- Selective re-pricing

**June 2014 vs. Sustainable Long Term**

- Concentration\(^1\): 22% vs. 15 – 20%
- Front Book RoE: ~15% vs. ~15%
- Overall RoE: ~8% vs. ~15%

1) Concentration relates to Gross Drawn CRE balances as a proportion of the total Commercial book.
2) Based upon the legacy CBD book, which includes the transfers in of Non-Core assets and transfer out of assets to RCR in March 14.
Targeted initiatives to inject revenue momentum

Operate more effectively

- **Uplift RM performance** (training, performance, tools)
  - Satisfaction
  - Avg income per RM (£m)
  - Top 20%: ~80%, ~2.5
  - Bottom 20%: ~60%, ~0.6

Example growth initiatives and campaigns

- **Refresh International proposition**
  - Incremental market value pools:
    - 1 additional int'l product: ~£200m
    - Increase wallet share
    - Domestic customers that trade
    - New-to-bank customers
    - Outbound opportunity

- **Match best-in-class product share**
  - Invoice Finance:
    - CPB: 12%, Best in market: 19%
  - Commercial Cards:
    - 78%, 86%
  - Trade:
    - 12%, 17%

- **Asset Finance campaign in Lombard**
  - CPB customers using AF: 30%
  - % AF payments through Lombard:
    - Other providers: 53%
    - Lombard: 47%

- **Improve Coutts / Commercial connectivity**
  - ~130k individuals of which 5-10k potential Coutts prospects

Fast tracking regional prospects

Focus on ‘Top 20’ fast growing companies in each region
Higher levels of lending activity and healthy pipeline

Gross and net lending position improving

H2 2013 vs H1 2014

- New lending\(^1\) + Repayments = Net lending
- \(+43\%\) + \(-28\%\) = \(+0.2\%\)

- M4 lending to PNFC's\(^2\) fell by 2% over the same period

Origination activity continuing to build

- Revenue campaigns stimulating demand:
  - Key focus on sustainable lending growth
  - 17k 'Statements of Appetite' (\(\sim\)£8bn)

Pipeline indicators encouraging

- Monthly pricing approval (£bn)
  - \(+75\%\)
  - \(£7bn\)
  - \(£4bn\)

- Volume of applications +35%
- "New to bank" lending pipeline +17%
- Conversion rate steady \(\sim\)60%
- Avg sanction value +20%

1) Gross new lending plus net utilisation
2) Private Non Financial Corporations

Winning together

NatWest

Mr [John Smith]
Director
[Company Ltd]

[6th February 2014]

Dear [John],

Following a review of your current business performance based on the information we have, I am writing to advise that we would like to talk to you about the opportunity to lend your business up to an additional £200,000 (Two Million Pounds), by way of a Term Loan.

I would be delighted to provide you with a credit backed approval once we have discussed and tailored your actual requirements in more detail with the benefit of any additional information provided. We can consider the options available to you in more detail and how we can help your business grow and achieve your long-term ambitions.

Please note that should you choose to apply, a credit search will be carried out. If for any reason your circumstances have changed from the information we currently hold, this may affect your application.

Should you wish to contact me please call
Yours sincerely,

[Jane]
Senior Relationship Manager
Commercial Banking
Renewed focus on UK private banking opportunity

Coutts UK is heart of the Private business

- FY 13 Income: £1.1bn
- Customers: 82k

Building on strong UK foundations

<table>
<thead>
<tr>
<th></th>
<th>FY 2013¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>£800m</td>
</tr>
<tr>
<td>Adjusted pre-tax profit</td>
<td>£160m</td>
</tr>
<tr>
<td>Adjusted RoE</td>
<td>11%</td>
</tr>
<tr>
<td>Adjusted C/I ratio</td>
<td>77%</td>
</tr>
<tr>
<td>Assets under Management</td>
<td>£13bn</td>
</tr>
<tr>
<td>Loans</td>
<td>£13bn</td>
</tr>
<tr>
<td>Deposits</td>
<td>£28bn</td>
</tr>
</tbody>
</table>

- Leading UK private bank with ~7% market share²
- Managing ~£54bn Customer Assets and Liabilities
- Strong brands: Coutts and Adam & Company
- Customer advocacy net positive at 27%³

Ambition:
#1 UK Private Bank & Wealth Manager, serving wealthy individuals and families with a UK presence

1) Includes RBSI, excludes one-off restructuring and conduct charges
2) Based on total Customer Assets and Liabilities
3) Source: PwC customer survey
Ambitious plans for Coutts

Bringing together wealth creators and wealth managers

1. **Focus on new customer acquisition**
   - Implement two-way referral across Personal and Business Banking and Commercial
   - Develop UK resident-non-domiciled proposition

2. **Better service customer needs**
   - Become clear market leader for customer advocacy
   - Simplify product offering, close gaps where required
   - Leverage existing investment capability further (e.g. investments penetration only 30%)

3. **Enhance delivery model**
   - Radically simplify customer processes (e.g. advice, lending, account opening)
   - Invest in digital capabilities to meet customer requirements
   - Simplify client engagement model

4. **Target performance**
   - Reduce costs by 20% over medium term
   - Medium to long term RoE of 15%+
Supporting UK entrepreneurs and businesses

Entrepreneur strategy launch

Significant opportunity…

- Over 92k high growth businesses but RBS share only 16%
- 2% of our customers but contribute 10% of income
- Leverage existing partnerships to build strong ecosystem
- Opportunity for clear differentiation in key segment

1. **Entrepreneur Accelerator Hubs across UK**
   - Successful Edinburgh hub running; London activity underway with Mass Challenge
   - 6 further locations identified - Leeds, Manchester, Birmingham, Bristol, Cardiff and Belfast

2. **Regular competitions** with investment prizes and investor days to facilitate investor introductions

3. **Develop “knowledge expert” RMs** (c.470 by 2018) to better understand and serve Entrepreneurs and High Growth Businesses

4. **Use analytics** to identify and support high growth businesses and offer targeted support
Agenda

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Summary
## Financial Performance – Commercial Banking

### P&L (£bn)

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>Expected Trend</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>3.2</td>
<td>➔</td>
<td>1.6</td>
</tr>
<tr>
<td>Costs¹</td>
<td>(2.0)</td>
<td>➔</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(0.7)</td>
<td>➔</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Op Profit¹</td>
<td>0.5</td>
<td>➔</td>
<td>0.6</td>
</tr>
</tbody>
</table>

### Balance Sheet (£bn)

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>Expected Trend</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;A (gross)</td>
<td>85.0</td>
<td>➔</td>
<td>85.1</td>
</tr>
<tr>
<td>Deposits</td>
<td>90.7</td>
<td>➔</td>
<td>88.0</td>
</tr>
<tr>
<td>RWA</td>
<td>65.8</td>
<td>➔</td>
<td>63.0</td>
</tr>
</tbody>
</table>

### Key metrics (%)

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>Expected Trend</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>2.64%</td>
<td>➔</td>
<td>2.70%</td>
</tr>
<tr>
<td>LDR (Net)</td>
<td>92%</td>
<td>➔</td>
<td>95%</td>
</tr>
<tr>
<td>C:I ratio (Headline)¹</td>
<td>63%</td>
<td>➔</td>
<td>58%</td>
</tr>
<tr>
<td>C:I ratio (Underlying)²</td>
<td>53%</td>
<td>➔</td>
<td>50%</td>
</tr>
<tr>
<td>RoE (Headline)¹,³</td>
<td>4.9%</td>
<td>➔</td>
<td>12.5%</td>
</tr>
<tr>
<td>RoE (Underlying)²,³</td>
<td>7.7%</td>
<td>➔</td>
<td>14.7%</td>
</tr>
<tr>
<td>Headcount</td>
<td>7,300</td>
<td>➔</td>
<td>7,100</td>
</tr>
</tbody>
</table>

**Income outlook moderately positive**
- Increasing customer penetration
- Improving economic environment
- Deposit re-pricing

**Continued targeted cost reductions**
- Bank wide and CPB cost reduction programmes

**Impairment charges reducing**
- Fewer individual cases along with provision releases as credit conditions improve

**Managing the balance sheet**
- Positive net lending trend emerging, de-leveraging slowing
- Targeted de-concentration of legacy book

**Targeting 15%+ RoE**

---

1) Includes Litigation / Conduct and Restructuring costs
2) Excludes Litigation / Conduct and Restructuring costs
3) 2013 ROE calculated on a Basel 2.5 basis. H1 2014 ROE calculated on a Basel 3 basis

Note: Expected trend shown versus FY 2013
Commercial lending profile

Positive lending indicators

- Origination activity continuing to build, with deleveraging and run-off trends stabilising
- Right-sizing ‘non-growable’ portion of the book through targeted sector and single name de-concentration

Sector diversification aligned to UK growth

<table>
<thead>
<tr>
<th>Key sectors</th>
<th>H1 2014 L&amp;A (£bn)</th>
<th>Concentration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Real Estate</td>
<td>19</td>
<td>22%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>10</td>
<td>11%</td>
</tr>
<tr>
<td>Housing Associations</td>
<td>8</td>
<td>10%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>Education, health and social activities</td>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>Other Services (incl. hotels and restaurants)</td>
<td>7</td>
<td>9%</td>
</tr>
<tr>
<td>Banks &amp; Financial Institutions</td>
<td>7</td>
<td>8%</td>
</tr>
<tr>
<td>Transport</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Sovereign</td>
<td>3</td>
<td>4%</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td>4%</td>
</tr>
<tr>
<td>Natural Resource</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Telecommunication, Media &amp; Technology</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

1) Areas of concentration being managed to sustainable levels (e.g. Single Name Concentration (SNC), Restructuring, CRE)
# indicative, full dimensions of the non-growable book remain under review
### Financial Performance – Private Banking

<table>
<thead>
<tr>
<th>P&amp;L (£bn)</th>
<th>FY 2013</th>
<th>Expected Trend</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>1.1</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Costs¹</td>
<td>(1.1)</td>
<td></td>
<td>(0.4)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(0.0)</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>Op Profit¹</td>
<td>(0.0)</td>
<td></td>
<td>0.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance Sheet (£bn)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;A (gross)</td>
<td>16.8</td>
<td>➔</td>
<td>16.6</td>
</tr>
<tr>
<td>Deposits</td>
<td>37.2</td>
<td>➔</td>
<td>35.9</td>
</tr>
<tr>
<td>AuMs</td>
<td>29.7</td>
<td>➔</td>
<td>28.7</td>
</tr>
<tr>
<td>RWA</td>
<td>12.0</td>
<td>➔</td>
<td>11.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key metrics (%)</th>
<th>FY 2013</th>
<th>Expected Trend</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>3.47%</td>
<td>➔</td>
<td>3.72%</td>
</tr>
<tr>
<td>LDR (Net)</td>
<td>45%</td>
<td>➔</td>
<td>46%</td>
</tr>
<tr>
<td>C:I ratio¹</td>
<td>103%</td>
<td>➔</td>
<td>73%</td>
</tr>
<tr>
<td>C:I ratio (Underlying)²</td>
<td>81%</td>
<td>➔</td>
<td>73%</td>
</tr>
<tr>
<td>RoE (Headline)¹,³</td>
<td>(3.1%)</td>
<td>➔</td>
<td>15.0%</td>
</tr>
<tr>
<td>RoE (Underlying)²,³</td>
<td>8.7%</td>
<td>➔</td>
<td>15.3%</td>
</tr>
<tr>
<td>Headcount</td>
<td>3,500</td>
<td>➔</td>
<td>3,500</td>
</tr>
</tbody>
</table>

---

**Income outlook remains stable**
- Deposit re-pricing in the UK
- Economic environment and FX rates remain a challenge for the international business

**Proactive management of costs**
- Investment in technology and processes starting to deliver efficiencies, targeting a 20% cost reduction in Coutts UK

**Impairment charges reducing**
- Improving credit conditions and provision releases

**Managing the balance sheet**
- New business volumes growing in the UK
- High Net Worth clients reducing leverage in current low rate environment
- Active management of funding surplus

**Targeting 15%+ RoE**
## Income performance by product

<table>
<thead>
<tr>
<th>(£m)</th>
<th>FY 2013</th>
<th>Expected Trend</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Banking</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial lending</td>
<td>1,911</td>
<td>➔</td>
<td>894</td>
</tr>
<tr>
<td>Deposits</td>
<td>208</td>
<td>➔</td>
<td>153</td>
</tr>
<tr>
<td>Asset and Invoice Finance</td>
<td>671</td>
<td>➔</td>
<td>366</td>
</tr>
<tr>
<td>Transaction Services¹</td>
<td>346</td>
<td>➔</td>
<td>165</td>
</tr>
<tr>
<td>Other²</td>
<td>21</td>
<td>➔</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Commercial Banking</strong></td>
<td>3,157</td>
<td>➔</td>
<td>1,568</td>
</tr>
</tbody>
</table>

**Private Banking**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>879</td>
<td>➔</td>
<td>455</td>
</tr>
<tr>
<td>Investments</td>
<td>198</td>
<td>➔</td>
<td>90</td>
</tr>
<tr>
<td><strong>Private Banking</strong></td>
<td>1,077</td>
<td>➔</td>
<td>545</td>
</tr>
<tr>
<td><strong>Commercial &amp; Private</strong></td>
<td>4,234</td>
<td>➔</td>
<td>2,113</td>
</tr>
</tbody>
</table>

### Notes:

- **Commercial Lending**: Re-shaping lending proposition through focussed investment
- **Deposits**: Re-pricing in line with Bank liquidity strategy
- **Asset and Invoice Finance**: improving outlook supported by higher volumes. Margins holding despite competition
- **Transaction Services**: International proposition expected to drive income. Domestic pressures from switch to cheaper electronic banking
- **Private Banking**: Lower activity in international markets putting pressure on assets under management. Margin outlook stable

---

1) Includes Money transmission, payments and trade income
2) Includes Domestic bonds and guarantees, commercial cards and liquidity buffer costs

Note: Expected trend shown versus FY 2013
Focus on driving efficiency

CPB efficiency improvements starting to deliver

Costs (£bn)

- Litigation/Conduct & Restructuring
  - Private
  - Commercial

<table>
<thead>
<tr>
<th>Costs (£bn)</th>
<th>FY 2013</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline C:I</td>
<td>73%</td>
<td>62%</td>
</tr>
<tr>
<td>Adjusted C:I</td>
<td>60%</td>
<td>56%</td>
</tr>
</tbody>
</table>

- Bank wide and CPB cost reduction programmes
  - Support rationalisation of functions, reduced duplication and management layers
  - Product simplification
  - Reducing management layers
  - Private Banking integration into CPB

- Remediation costs reducing, but remain a risk

- Long term C:I ratio target ~50%¹
  - Commercial target ~40-45%
  - Private target ~60%

¹ Adjusted C:I - excludes Litigation / Conduct and Restructuring costs
Credit risk profile improving

**Impairment charges significantly reduced**

<table>
<thead>
<tr>
<th>Impairments charge (£m)</th>
<th>FY 2013</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>681</td>
<td>89</td>
</tr>
<tr>
<td>Underlying releases</td>
<td>558</td>
<td>31</td>
</tr>
<tr>
<td>RCR</td>
<td>123</td>
<td></td>
</tr>
<tr>
<td>CPB ex RCR</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Underlying impairments as % of L&A: 0.5% (FY 2013) vs 0.2% (H1 2014)

**Credit conditions improving**
- Provision releases in 2014
- Fewer individual cases across the portfolio

**Quality of assets enhanced** following transfers to RBS Capital Resolution (RCR)

**Positive Watch and Restructuring trends**

**Positive trends in Watch and Restructuring**

<table>
<thead>
<tr>
<th>Impairments by key business line (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRE</td>
</tr>
<tr>
<td>Other Commercial</td>
</tr>
<tr>
<td>Private</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 2013</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>431</td>
<td>37</td>
</tr>
</tbody>
</table>

Inflows (£m):

<table>
<thead>
<tr>
<th>Q412</th>
<th>Q213</th>
<th>Q413</th>
<th>Q214</th>
</tr>
</thead>
<tbody>
<tr>
<td>622</td>
<td>252</td>
<td>114</td>
<td>80</td>
</tr>
</tbody>
</table>

1) Previously GRG based on limits
2) H1 2014 impairment charge adjusted to exclude £60m of latent and PD90 releases
Positioned to support momentum in UK economy

**Business confidence up**
Expectations of turnover improvement, indexed

**Business start ups increasing**
UK stock of businesses, indexed

**Seeds of lending growth as deleveraging slows**
Stock of M4 PNFC lending, indexed

**Business investment rising**
UK business investment, indexed

Source: Industry statistics. Forecast data from RBS economics consensus view
Agenda

Business Overview

Commercial & Private Banking Strategy

Financial Performance & Outlook

Summary
Our Investment Case

- #1 UK Commercial and Private Banking franchises
- Significant and growing contribution to Bank performance
- Strong market position to benefit as UK economy grows
- Bringing together wealth creators and wealth managers
- Investing in our business for the benefit of our customers

Targeting attractive returns, built on leading customer proposition and efficiency
Forward looking statements


In particular, this document includes forward-looking statements relating, but not limited to: the Group’s restructuring and new strategic plans, divestments, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; discretionary coupon and dividend payments; implementation of legislation of ring-fencing and bail-in measures; sustainability targets; litigation, regulatory and governmental investigations; the Group’s future financial performance; the level and extent of future impairments and write-downs; and the Group’s exposure to political risks, including the referendum on Scottish independence, 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 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.

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