

RBS CITIZENS FINANCIAL GROUP 2012 ANNUAL REPORT



 **RBS Citizens**
Financial Group, Inc.™

Citizens Bank | Charter One | RBS Citizens

OUR CREDO

CUSTOMERS

We work for them. If they like us, if they trust us, if they believe in us, if they think we are a good bank and a trusted advisor, we all grow and prosper.

COLLEAGUES

We want to be a rewarding place to work. We believe a highly engaged, diverse team of colleagues will deliver an exceptional experience for our customers.

COMMUNITY

When the community prospers, we all prosper. We invest in places and people we know. We give back. We encourage community involvement and volunteerism.

PURPOSE

Our purpose is to build a strong franchise that facilitates growth and prosperity for our customers, colleagues and communities, thereby delivering attractive returns for our shareholders.

VISION

We will become a top-performing regional bank in our footprint. We will achieve this by earning our customers' loyalty and serving as their primary banking partner. We will provide local, helpful service with global capability. We will be a leader in our markets, consistently perform for our shareholders, invest in our colleagues and support the communities where we live and work.

VALUES

Serving customers

Working together

Doing the right thing

Thinking long-term

RBS CITIZENS FINANCIAL GROUP, INC.

2012 ANNUAL REPORT



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CHAIRMAN'S MESSAGE

ELLEN ALEMANY

joined RBS Group in 2007
and serves as Chairman and
Chief Executive Officer
of RBS Citizens Financial
Group, Inc.



Our company is here to serve a single purpose: to help our customers, colleagues and communities grow and prosper. The better we do that, the better we will perform for all stakeholders.

We made good progress toward that goal in 2012. We improved our ability to serve customers well. Our 19,000 colleagues are focused on creating the products, delivering the service and

embedding the systems that help us do more for our customers.

We took other steps to position our company for long-term success. We continued to improve the controls and practices that help us manage the risks inherent to banking. Royal Bank of Scotland, our parent company, announced plans to prepare RBS Citizens Financial Group for a partial listing in the U.S. market, probably around two years from now. We will share more about that process with you as it unfolds.

We believe these steps will help us build a lasting legacy. Our efforts also helped us deliver solid results in 2012.

FINANCIAL PERFORMANCE

Our net income was \$643 million for the year, up 27% over 2011. The quality of our loan portfolio – which resulted in fewer credit losses – drove much of the improvement. Our focus on growing customer relationships helped us boost loans and deposits.

Our performance also has helped us maintain a very strong capital position. Our Tier 1 capital ratio was 14.2% at December 31, 2012, among the highest in our peer group. This capital provides us with increased stability and financial flexibility. For the first time since 2007, we paid dividends to the Royal Bank of Scotland. We remain focused on improving our returns. Our return on average tangible common equity grew to 5.1% in 2012, and our goal is to continue to drive progress in this key measure.

“Our progress has positioned us to compete and succeed in what continues to be a challenging environment.”

SERVING OUR CUSTOMERS

Our franchise serves more than 5 million consumer and business customers. We can only grow and perform well if we are completely committed to helping our customers achieve their goals. I'd like to share two examples that reflect our broader collective efforts.

We launched iPhone® and Android™ applications for consumer customers in 2012. With both apps, we provide the basic banking functions that our customers said they want and use the most. The result: our apps earned a combined 4.25 (out of 5) rating from consumers. We tied for first in a ratings analysis of 25 large banks conducted by financial services consulting firm Javelin Strategy & Research. Separately, our work to improve the customer experience was highlighted as a unique model within the industry by *American Banker*.

To help support corporate clients, we integrated our Treasury Solutions business into Commercial Banking. Clients benefit from the broader range of solutions we offer. Now, more than 80% of middle market clients – companies with annual sales of \$25 million to \$500 million – also use our cash management products. Our relationship banking

approach is paying off as we have earned high marks for client service.

These efforts – along with all of the work we’ve done on behalf of our customers – helped our company earn recognition from industry experts. *American Banker* rated our reputation the 10th strongest of the top 30 banks in the country. We were one of only eight banks to improve its ranking from last year. Also, the Ponemon Institute, a privacy research firm, rated us 4th in trust among retail banks; and YouGov, a marketing consultant, ranked our brand as the 5th most favorable of 29 large banks surveyed.



CHALLENGING ENVIRONMENT

We are very pleased with what we’ve accomplished, particularly in what continues to be a challenging environment.



The economic recovery remains tepid. High unemployment and slow gross domestic product growth have persisted since the Great Recession. Soft economic activity dampens our opportunities for growth. Historically low interest rates and new regulations have also limited banks’ ability to boost revenue, while at the same time costs related to compliance requirements have gone up. We don’t expect these pressures to ease in the near term.

The challenges facing banks may lead some to question the strength of our industry. I don’t. Financial services firms are better capitalized and stronger now than at any point in the last five years. This renewed financial health – combined with steps banks must take to keep the customer at the heart of every decision – will help further strengthen our industry and restore its reputation.

NO. 4

IN TRUST

We were rated as the fourth most trusted retail bank by the Ponemon Institute, a privacy and information-security firm.

NO. 5

IN BRAND FAVORABILITY

RBSCFG's brand index ranked 5th out of 29 banks tracked by YouGov, a market research firm. It was one of only three banks in the top 10 to see a positive change in its year-over-year score.

NO. 10

IN REPUTATION

RBSCFG jumped eight spots in a survey of bank reputation conducted by the *American Banker* and the Reputation Institute. It was one of only eight banks that saw their reputation scores rise this year.

POSITIONED FOR THE FUTURE

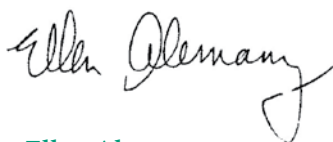
Where do we go from here? At RBS Citizens Financial Group, we plan to stay focused on serving our customers. Our colleagues understand that we have to do that one day at a time, one customer at a time, to stand out from the competition.

I am confident we will build on our progress. Our team has performed well throughout this challenging period. Our knowledgeable and committed colleagues are responsible for all of the achievements I've noted – and more. The way this team works together to take care of our customers is inspiring, and that's just on a normal day. When things got tough – as they did when Hurricane Sandy struck – they showed even more heart. Many colleagues worked long hours to return our branches and facilities to full service, while addressing storm-related challenges at home.

I'm not surprised by any of this. Supporting our customers and taking care of the community means everything to us. In fact, colleagues contributed more than 60,000 volunteer hours, up 88% from 2011.

I'd like to close by thanking our customers, colleagues and community partners for your commitment to this company. It is a true pleasure to serve you.

Sincerely,



Ellen Alemany

Chairman and Chief Executive Officer, RBS Citizens Financial Group, Inc.

RBS CITIZENS FINANCIAL GROUP SNAPSHOT

WHO WE ARE

RBS Citizens Financial Group, Inc., is a \$127 billion commercial bank holding company. It is headquartered in Providence, R.I., and through its subsidiaries has approximately 1,400 branches, approximately 3,600 ATMs and 19,000 colleagues. It operates its branch network in 12 states and has non-branch retail and commercial offices in more than 30 states. RBSCFG's affiliation with the Royal Bank of Scotland extends its reach to more than 38 countries around the world.



RANKINGS AMONG U.S. BANKS AS OF DECEMBER 31, 2012

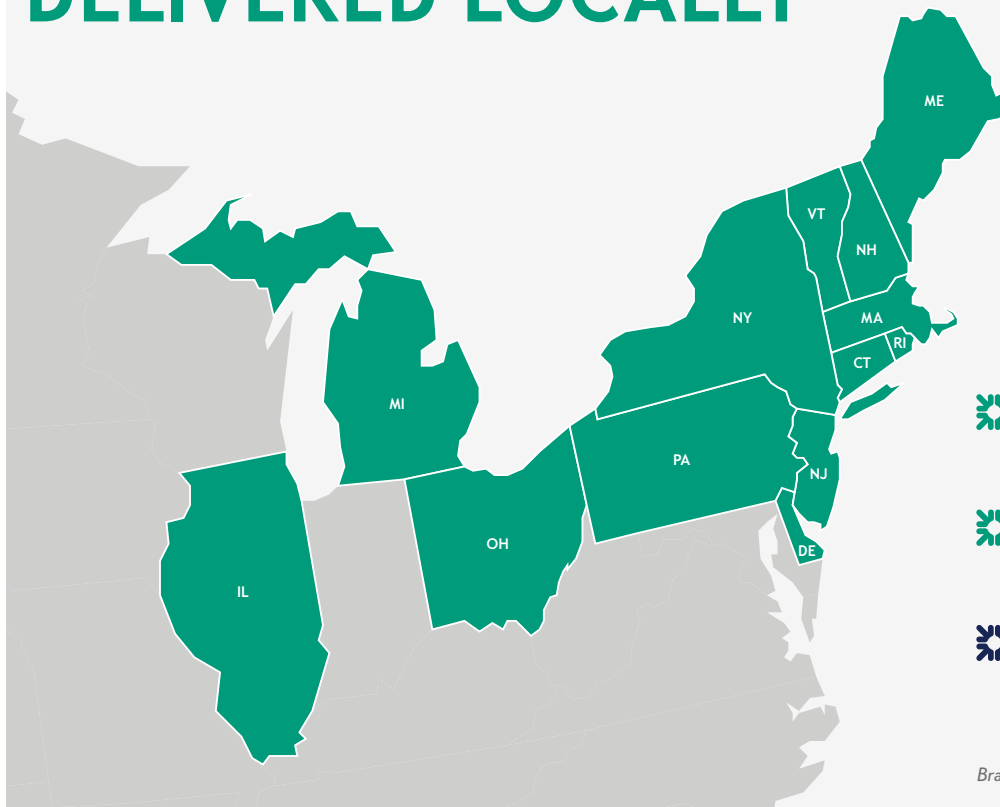
12th in assets
12th in deposits
7th in ATMs
9th in branches
2nd in in-store banking by deposits

CAPITAL STRENGTH

RBSCFG has a strong Tier 1 capital ratio, a key measure of a bank's strength and capital adequacy. It exceeds regulatory criteria governing well-capitalized minimums.

	RBSCFG Dec. 2012 (U.S. Regulatory Filing FR-Y-9C)	Regulatory well-capitalized minimum
Tier 1 capital ratio	14.2%	6.0%
Tier 1 leverage ratio	12.1%	5.0%
Total risk-based capital ratio	15.8%	11.0%

EXCEPTIONAL SERVICE DELIVERED LOCALLY



 **Citizens Bank**®

 **Charter One**®

 **RBS Citizens**™

Branch and ATM counts as of December 31, 2012

STATE PRESIDENTS

Our state presidents are experienced Commercial Banking leaders who help deliver our global capabilities to our clients locally.

Connecticut

EDWARD O. HANDY III

Branches 50

ATMs 128

Delaware

DANIEL K. FITZPATRICK

Branches 24

ATMs 57

Illinois

MARC PAULHUS

Branches 103

ATMs 243

Massachusetts

GIRARD R. SARGENT

Branches 253

ATMs 744

Michigan

KENNETH E. MARBLESTONE

Branches 103

ATMs 106

New Hampshire

JOSEPH CARELLI

Branches 80

ATMs 202

New Jersey

DANIEL K. FITZPATRICK

Branches 12

ATMs 104

New York

JAMES P. GASPO

Branches 159

ATMs 375

Ohio

KENNETH E. MARBLESTONE

Branches 133

ATMs 160

Pennsylvania

DANIEL K. FITZPATRICK

Branches 378

ATMs 1,000

Rhode Island

EDWARD O. HANDY III

Branches 83

ATMs 191

Vermont

JOSEPH CARELLI

Branches 21

ATMs 40



COMMERCIAL BANKING

In Commercial Banking, we define our success by the success of our clients – and we saw some great examples of that in 2012. As our clients' primary banking partner, we provided innovative ideas and industry expertise. We believe that a good bank lies at the center of a business community as a facilitator of prosperity, an active lender and a reliable source of business solutions.

A photograph of a glass door with a white horizontal band. The band features the RBS logo (a stylized flower-like symbol) and the text "RBS Citizens". The background is a wood-paneled wall.

 **RBS** Citizens



COMMERCIAL BANKING

This is what our clients should expect from a good commercial bank:

- We will invest the time to thoroughly understand their business and offer sound ideas to help drive their success. We take the long-term view as an advocate for their business.
- Through innovation and industry expertise, we will provide relevant ideas along with the latest products and technologies. Our clients will have access to specialists and to global resources delivered locally.
- We invest back into our communities. We never forget that our success is tied to the prosperity of the communities where we live and work.
- We will earn our clients' trust by being accountable and transparent in our dealings. We will be quick to respond and accessible when they need us.

In 2012, we continued to deliver on these promises through a strategy of innovation and investment in the future. As a result, we were able to grow our loan portfolio nearly 12% year-over-year and increase our annual revenue while maintaining strong credit

stewardship, powerful proof points of Commercial Banking's performance and efficiency.

AN INNOVATIVE, CLIENT-FOCUSED APPROACH TO OUR MARKETS

As always, we maintained our focus on providing tailored lending and deposit solutions – supplemented by our full suite of corporate finance, risk management, treasury, and international products and services – to businesses of myriad sizes across all industries. This year, our client-centric focus inspired the development of new, innovative solutions and services to make our clients' lives easier.

The creation of a new client onboarding process is a prime example. Launched in 2012 for our Commercial Enterprise Banking clients, the new process provides a consistent, detailed set of communications and important information to each new client, ensuring that they are satisfied from the very start of the relationship. The process will be launched for Middle Market clients in 2013.

Our sponsorship of the second M&A Outlook Survey highlighted another way to help our clients. The research showed that transaction-driven growth is a key priority for business leaders – one that RBS Citizens is well-positioned to meet. Additionally, we formed a strategic alliance with Oppenheimer & Co., Inc., adding Oppenheimer's M&A advisory services

A study sponsored by our division offers clients valuable information and a fresh perspective on today's M&A markets.

and equity capital markets capabilities to our already-existing debt capital markets expertise.

Along with these initiatives, we developed a new platform to disseminate our research and thought leadership assets. Clients in the manufacturing and wholesale distribution industries, as well as those who import or export, have already benefited from the research.

Finally, we continued to pioneer important improvements in our treasury offerings. We launched new products that help our clients and differentiate us in the market. Treasury Solutions' revenue grew 5.5% in 2012 over 2011, surpassing the industry average of 2%, demonstrating the value these solutions add for our clients.



20+ YEARS

Of average banking experience per relationship manager translates into expert advice and tailored solutions for each client.

INVESTING IN THE FUTURE

As we constantly evolve and enhance our capabilities, we also must focus on investing in the future. 2012 was a year of improving our systems and building our bench strength to ensure that RBS Citizens will be well-positioned to serve our clients' needs in the long term.

As Commercial Banking continues to grow, it is imperative that we are able to support this expansion with our technology. Heavy investments in our loan and imaging systems paid off this year, helping us serve our clients better by improving efficiency and reducing cycle times to delivery.

We also invested in people. With the launch of the Commercial Banker Development Program, we hired and trained new college graduates to support our business. As they complete their rotational program, the next class of graduates will step in, further building Commercial Banking's bench of talent.

Commercial Banking is focused on delivering our global expertise and financial solutions locally to clients while maintaining and growing civic leadership roles in the communities where we live and work. We believe that investing in our clients, colleagues and community now will strengthen our franchise for the future.

COMMERCIAL BANKING AT A GLANCE

FACTS AND FIGURES

As one of the nation's largest banks, with the global resources of the Royal Bank of Scotland behind us, we have the services and support our clients need to succeed — whether doing business around the globe or around the corner. Just as important, all our industry expertise, insight, and knowledge is delivered locally, with personal attention through our experienced relationship managers.

- Our clients benefit from the support and advice of our 300 relationship managers with an average of more than 20 years of banking experience.
- Our \$35 billion core commercial loan portfolio has grown almost 12% in the last year.
- Our lending expertise is supplemented by our top-notch solutions and service offerings. RBS Citizens Asset Finance, our leasing division, is the 8th-largest lessor in the United States. We also continue to build our Capital Markets division, a top 10 lead arranger of middle market transactions and a top 6 arranger for private equity-owned companies.

DELIVERING SOLUTIONS TO STREAMLINE AND SECURE BUSINESS OPERATIONS

A good bank partners with clients, providing the tools that enable them to run their businesses more efficiently. This year, as part of a multi-year strategic investment plan, we launched the latest products in our access-branded suite of solutions — accessSETUP™, accessIMAGE™, accessGLOBAL ACH™ — and made enhancements to Money Manager GPS™.

Treasury Solutions is committed to being our clients' go-to partner, working with them to help mitigate potential fraud. Through a campaign that launched in 2012, we promoted greater awareness of the threats presented by fraud, backed by specific solutions and best practices that our clients are advised to follow to more proactively protect their businesses.

OUR PRODUCTS AND SERVICES

Our full range of commercial banking solutions is tailored to meet our clients' needs — from loan and deposit products to cash management, international services and more.

Lending

Capital Markets

- Syndications
- Private placements
- Equity
- High-yield bonds
- Loan sales and trading

Corporate Risk Solutions

- Foreign exchange
- Interest-rate risk management

International Cash Management

Merchant Services

through WorldPay, our exclusive merchant services provider

Treasury Solutions

- Domestic cash management: payables, receivables, liquidity, access and delivery
- Commercial cards
- Trade finance

Private and Institutional Wealth Management

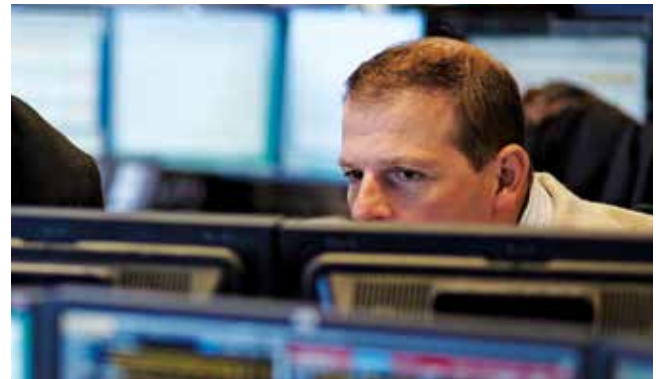
OUR FINANCING SOLUTIONS

BY MARKET SEGMENT Whether you have annual revenue of \$5 million, \$500 million or more, we offer customized commercial banking solutions based on clients' business needs.

- **Commercial Enterprise Banking**
(Revenues of \$5-25 million)
- **Middle Market Banking** (\$25-500 million)
- **Mid-Corporate Banking** (more than \$500 million)

BY INDUSTRY SPECIALIZATION As one of the largest banks in the United States, we have the resources and the expertise to offer solutions that service most major industry segments as well as professional services firms. We're constantly analyzing market needs and building dedicated teams with specific expertise for each industry. Clients who don't fit exactly into any of our categories receive one-on-one attention from our relationship managers to create a customized solution tailored especially for their business requirements.

- **Commercial real estate finance**
- **Electronic security**
- **Franchise finance**
- **Government banking***
- **Government-sponsored lending**
- **Healthcare (for-profit)**
- **Healthcare (not-for-profit)**
- **Not-for-profit organizations**
- **Private equity and sponsor finance**
- **Professionals (accounting and law)**
- **Technology, media and communications**



EXPANDING OUR CORPORATE FINANCE CAPABILITIES

PROVIDING CAPITAL MARKETS EXPERTISE TO OUR COMMERCIAL CLIENTS Corporate development strategies are now more consequential for executives and owners of businesses of all sizes. To meet these important strategic needs for our clients, in 2012 we teamed up with Oppenheimer & Co. to add M&A advisory services and equity capital markets to our debt capital markets expertise. We now deliver sophisticated corporate finance guidance through the relationships our clients already trust.

LEADING THE WAY ON MIDDLE MARKET M&A KNOWLEDGE For the second year in a row, RBS Citizens sponsored M&A research to help our clients gain a better understanding of the M&A environment in the current economy. The research focused on executives from myriad industries, including manufacturing, professional services and financial services. The findings and recommendations in the *M&A Outlook Report* will support our clients as they determine the strategies that are right for their companies.

SPECIALTY LENDING SERVICES We make it our business to develop client-specific lending solutions. With a broad selection of customizable payment terms, our creative financing arrangements can address short-term working capital needs or longer-term investments.

- **Asset finance (leasing and equipment finance)**
- **Business capital (asset-based lending)**

*Government Banking is available in New England only.

NEWPORT HARBOR CORPORATION

Based in Newport, Rhode Island, Newport Harbor Corporation is an employee-owned hospitality company that has roots in the region dating back to 1925. With its recent acquisition of the Papa Razzi restaurant group, NHC has grown into a leader in the hospitality industry, building an impressive portfolio of award-winning hotels, restaurants and events.

NHC has been an RBS Citizens client since 2010, turning to the bank for interest-rate derivatives to hedge against rising interest rates, as well as cash management, merchant services and, of course, financing. RBS Citizens helped the company refinance their existing debt structure and, more importantly, worked with company officers to facilitate their acquisition of the Papa Razzi franchise in 2012. The acquisition provided geographic diversification for NHC – expanding from Rhode Island into Massachusetts – and balanced the seasonal nature of its traditional business with a year-round business model.

“Our goal with NHC,” says Keith Kelly, Corporate Banking Relationship Manager, “was not only to achieve the company’s short-term goals, but to maintain the long-term viability of the operation from an ESOP perspective.”

1,755 SEATS

With the acquisition of the Papa Razzi franchise, Newport Harbor Corporation will be able to serve 850,000 more customers.

7 NEW LOCATIONS


With new restaurant locations, NHC has expanded from Rhode Island into the Route 128 beltway of Massachusetts.

A photograph of three men in business attire standing in a restaurant. The man on the left is wearing a dark suit jacket over a light blue striped shirt and khaki pants. The man in the middle is wearing a dark suit jacket over a light blue shirt and dark pants. The man on the right is wearing a dark blue suit jacket over a white shirt and a red and blue striped tie. They are all smiling. In the foreground, a table with a white tablecloth has a red lobster and other food items. The background features a brick wall, framed pictures, and a lamp.

At the Moorings Restaurant in Newport, R.I., Relationship Manager Keith Kelly (right) meets with Newport Harbor Corporation's President and CEO Paul O'Reilly (left) and CFO Mick Lamond.

“Working with NHC’s senior leadership team was a collaborative effort. We needed to ensure that the proper debt structure was put in place.”

— KEITH KELLY
Corporate Banking Relationship Manager



Students at The Agnes Irwin School in suburban Philadelphia join school leaders and RBSCFG bankers in the Upper School library. Adults, from center to right: RM Pamela Hansen, Agnes Irwin Director of Finance and Facilities Kevin McCullough, Head of School Mary Seppala, RM Team Leader Irene Hannon, school board chair Ann Laupheimer Sonnenfeld and Dare to Do More Capital Campaign Chair James Buck.

“The RBS Citizens team worked with us as partners, facilitating the financing for this critical building project. We could not ask for more in terms of service, care, creativity and expertise.”

— ANN LAUPHEIMER SONNENFELD
Agnes Irwin School board chair, alumna and parent



THE AGNES IRWIN SCHOOL

The Agnes Irwin School is a premier independent school for girls from pre-K to grade 12 located on Philadelphia's Main Line. Poised for a significant expansion to its campus with a construction project that provides new facilities for athletics, student life and academic programs, the school is about to complete a long-range strategic initiative and 10-year campus master plan designed to address vitally important facilities improvements.

RBS Citizens has had a relationship with The Agnes Irwin School since 2003, handling all of its operating business – depository, cash management and commercial cards. With the new construction project costs estimated at \$41 million, the school turned to RBS Citizens Relationship Manager Pamela Hansen. The RBS Citizens team creatively structured the financing for a lending commitment to allow the school to enter into the construction contract, meeting tight completion deadlines.

706 STUDENTS

Founded in 1869 by Miss Agnes Irwin, the first dean of Radcliffe College and the great-great-granddaughter of Benjamin Franklin, The Agnes Irwin School was one of the first schools in the United States devoted to the education of girls and young women.

82,790 SQUARE FEET

This transformational project will add a new student life center, campus entryway and gymnasium with two NCAA-size basketball courts, four squash courts and a fitness center.

CONE DRIVE GEARING SOLUTIONS

Although Leonardo da Vinci envisioned the double-enveloping worm gear nearly 500 years ago, Samuel Cone improved the design and patented a practical method of manufacturing it in the late 1920s. Today, Cone Drive Gearing Solutions is the world leader in the production of the technology, which provides a huge amount of power in a small amount of space. The company helps customers across industries from entertainment to defense to pharma determine the right gearing solutions for their applications.

Based in Traverse City, Michigan, Cone Drive was looking to refinance its debt in 2012. That's when we stepped in. In only three years, RBS Citizens' Capital Markets group has become a Top 10 lead arranger of middle market transactions. The combined expertise of the RBS Citizens Middle Market and Capital Markets teams earned them the Lead Left position to provide \$51 million of senior debt for the refinancing.

Cone Drive also turned to Middle Market Relationship Manager Mike Farley for additional banking needs, including cash management, letters of credit, corporate card business and interest-rate hedging.

\$51 MILLION IN FINANCING

Cone Drive Gearing Solutions trusted the knowledge and capabilities of the RBS Citizens team to create customized solutions for the company's banking needs.

300% SHOCKLOAD CAPABILITY


Cone Drive's technology - used in products from theater lighting and amusement-park rides to airplanes, satellite dishes and solar power systems - allows higher shock loads to be absorbed with a smaller gearbox.



RM Mike Farley (left) joins Cone Drive President Kurt Gamelin and CFO Tracey Welch in the company's immense Traverse City, Mich., factory.

“RBS Citizens has partnered with the company’s owners at Clyde Blowers Capital and with the Cone Drive management team to best execute the transition and position the company for future growth.”

— MIKE FARLEY
Middle Market Relationship Manager

A photograph of four men standing in a food-packing facility. The man on the far left is wearing a dark blue polo shirt with a logo and dark trousers, with his arms crossed. The other three men are wearing dark suits and ties. They are all smiling at the camera. The background shows industrial equipment, including metal shelving and a large white pipe with a red stripe.

Boston Salads President and CEO John Zofchak (left) tours the food-packing facility with RM Jeff Glashow, CEB Market Manager Rick Zilewicz and Boston Salads CFO Elliott Freedman.

“RBS Citizens is a great resource and partner. They understand our business needs and proactively offer services and advice to help us build our company.”

— ELLIOTT FREEDMAN,
Chief Financial Officer, Boston Salads and Provisions, Inc.

BOSTON SALADS & PROVISIONS, INC.

Founded by President and CEO John Zofchak in 1991, Boston Salads and Provisions, Inc. has grown from a \$1 million company to a \$25 million per year multi-line salad processor and wholesale food distributor. Significant additions to their product offerings in recent years have contributed to the company's success. Boston Salads is now a master distributor of Dietz and Watson deli products for all of New England.

CPA Les Gosule expressed dissatisfaction with Boston Salads' prior bank, citing lack of value-added advice and solutions for this growing company. After the initial meeting between Zofchak, Gosule and CFO Elliott Freedman from Boston Salads, and Commercial Enterprise Banking Market Manager Rick Zilewicz and Relationship Manager Jeff Glashow from RBS Citizens, it became clear that our bank was a much better match for the company.

Today, Boston Salads relies on RBS Citizens for working capital financing, an equipment acquisition facility, term debt, and real estate mortgages plus full cash management services.

\$7.5 MILLION IN FINANCING

RBS Citizens provides working capital financing, an equipment facility, term debt and real estate mortgages, plus full cash management services inclusive of a credit sweep.

23 YEARS

Founder and CEO John Zofchak has grown Boston Salads from a small \$1 million company to a thriving \$25 million-plus business since its inception in 1991.

A photograph of a Citizens Bank branch. The bank's name and logo are illuminated in green above the entrance. The interior is visible through a glass door, showing a teller and a customer. A person in a wheelchair is seated at a desk. Various signs are posted on the glass, including one for a \$150 reward and another for accessibility.

Citizens Bank

CONSUMER BANKING

During a year of new regulations and a challenging economy, Consumer Banking maintained its position as a major player in the U.S. banking industry. We did so by focusing on what matters most – our customers. By helping our customers manage their finances through every stage of life, we delivered an outstanding customer experience.

ALWAYS
HERE,
ALWAYS
OPEN.

OUR NEW ACCESS
BRANCH OFFERS YOU:

- PERSONAL TOUCH
- 24/7 LIVE PHONE SUPPORT
- COMMITMENT TO EXCELLENCE
- LIVE FINANCIAL ADVISORS
- TECHNOLOGY

GOOD BANKING
IS GOOD
CITIZENSHIP.
GOOD CITIZENSHIP
IS GOOD BUSINESS.

access

information • specialists • advice • solutions • convenience



Citizen's Bank representative in a suit and tie, standing behind a green counter.

Female customer in a dark suit interacting with the representative at the counter.

Citizen's Bank logo and name on the green counter.





CONSUMER BANKING

In 2012 our strong distribution network of 1,400 branches and 3,600 ATMs offered our customers convenient ways to bank when and how they wanted. Mobile banking saw substantial growth. Our smartphone apps were tied for the highest ranking nationally in a study by Javelin Strategy & Research. We continued to be a self-funded bank, known in the industry for strong asset quality and capital ratios. We invested in our technology infrastructure to help prepare us for the future.

Most important, every day we focused on getting to know each of our customers and becoming their primary banking partner.

Our guiding objective was under the umbrella of our Customer Commitments – promises to our customers of what they can expect from a good bank:

- To listen and get to know them
- To value their time and business
- To put them in control
- To earn their trust

Living these commitments with every interaction is the single best way to differentiate ourselves in a competitive market.

MEETING INDIVIDUAL NEEDS

Our Business Banking team knows that many small-business customers struggle with cash flow. That's why in 2012 our team worked to educate customers on the value of our cash-flow solutions. As a result, our cash-management sales increased by 67% over 2011. Despite a tough economy, our Business Banking colleagues are serving more customers: Sales per full-time employee increased 51% over 2011.

Our commitment to our business customers is reflected in our growing market share. RBSCFG ranks:

- #2 in our footprint (excluding New Jersey) in Small Business Primary Bank market share
- #8 nationally

(*Source: Barlow Research Associates' 2012 annual report of 8,600 small-business respondents over a 24-month period)

We are committed to helping our customers manage their money in ways that best achieve their financial goals. Citizens Wealth Management – CCO Investment Services, Premier Banking and Private Bank & Trust – specializes in providing financial services that include banking, investing, retirement planning and lending. In 2012, we launched our own brand – Life Investment, a holistic wealth-management approach.



10 MILLION-PLUS CUSTOMERS HELPED

1,000 specialists in our Contact Center assisted customers with everything from balance inquiries to enrolling in Online Banking.

Citizens Wealth Management generated more than \$150 million in revenue in 2012. It continues to contribute to the overall success of RBSCFG.

Another urgent consumer need is financing the cost of higher education. Our Education Finance division is the fastest-growing student lender in the United States, and 2012 was a big year:

- We rolled out the TruFit Student Loan® to all branches.
- Launched Citizens for Education, a branded program that provides young people with the support to pursue higher education and the tools to effectively manage their money today and tomorrow. By doing this, we will establish a good foundation for their future and help their communities grow.

These milestones drove impressive results. Our approved loan volume increased to 45% from 2011, and our market share increased from 3.1% to 3.6% nationally.

Meanwhile, millions of families and individuals across the country have been affected by the mortgage crisis. Our Home Lending team works one-on-one with customers to help them achieve and maintain their dream of home ownership. In 2012, we helped

nearly 77,000 customers with their financing needs and closed nearly \$8 billion in mortgages. In all markets, RBSCFG Home Lending Services ranked in the top 5 for home equity originations.

We are also proud to have top 5 auto-finance market share in 60% of our retail markets for the third quarter in 2012. Our Auto Finance team expanded its active dealer base from 3,400 to more than 5,000 and signed nine national dealer groups.

Another important part of our commitment to delivering a differentiated customer experience is our team of nearly 1,000 customer service specialists in our Contact Center. Each year, the team helps more than 10 million customers with everything from balance inquiries to enrolling in Online Banking or opening a new account.

CONSUMER BANKING AT A GLANCE

CONSUMERS

We provide traditional banking services for consumers through all of life's stages – from students beginning their first year of college to parents planning for retirement. We offer convenient banking options with exceptional service. Customers can conduct business at any of our 1,400 branches and 3,600 ATMs. They can also reach us 24/7 at our Contact Center.

We know we must move beyond traditional phone conversations and branch visits to provide a wider range of banking options. Customers on the go can take care of typical banking needs through our iPhone and Android™ mobile banking applications – tied for the highest consumer rating in a study conducted by Javelin Strategy & Research.

Consumers can come to us for:

- Traditional deposit accounts and loans
- Credit card products
- Home lending solutions, such as mortgages and home equity loans
- Education finance options

BUSINESS BANKING

Our Business Banking group serves businesses with up to \$5 million in annual revenue through a network of Business Banking officers, Business Banking relationship managers, phone-based relationship managers, branch managers and branch business bankers. Our team of experts works closely with customers to understand their needs and help them achieve their goals.

One of the most important services we provide is cash-flow management. The solutions we offer help business customers efficiently and effectively manage the payments they receive and the expenses they incur on a daily basis.

Business customers can also count on RBSCFG for:

- Deposit and loan products
- Small Business Administration loans
- Auto dealer financing

DID YOU KNOW?

Among the 2.7 million households we serve, **57%** of our customers consider our branch network to be their primary banking channel.

According to a 2012 Barlow Research Associates Inc. study, Citizens Bank **ranks #2** across its footprint in primary bank market share – one of three banks with growth year-over-year (excluding New Jersey).

In the past two years, Citizens Wealth Management professionals have helped thousands of customers come closer to their investment goals by completing more than **6,300** investment plans.

CITIZENS WEALTH MANAGEMENT


Through a holistic wealth-management approach, professionals from CCO Investment Services, Premier Banking and Private Bank & Trust advise customers about loans, savings, investment and retirement planning. A team gets to know customers on a personal level so they can understand their financial goals.

Our wealth management team offers access to:

- Investments
- Full banking services
- Retirement planning
- Asset allocation strategies

Citizens Wealth Management customer relationships have produced more than \$37 billion in total assets and deposits.

- More than \$15 billion in CCO Investment brokerage assets
- More than \$9 billion in deposit relationships for our Premier & Private Bank
- Assets under management of almost \$4 billion and an asset custodian of almost \$9 billion for our Private Bank



HIGHEST-RATED MOBILE APPS

Our mobile banking apps for iPhone® and Android™ were named the “best integrated apps” in the industry by Javelin Strategy & Research in late 2012. Our average customer rating of 4.25 out of 5 stars put us and USAA in the top-rated spot out of 25 large banks.

Earlier in the year, we added new features to our mobile app for iPhone users and introduced a fully featured app for Android users. These enhancements drove a significant increase in customer activity. From October 2011 to October 2012, the total number of our active mobile customers grew by more than 130%.



LIFE INVESTMENT


When a successful Massachusetts businessman needed quick and creative financing for a property purchase last year, he contacted CCO Financial Consultant Andrew Jurkunas. Jurkunas reached out to other Citizens Wealth Management professionals. Together, they helped the customer with much more than a loan.

Jurkunas, who had known the customer for seven years, used Life Investment to introduce opportunities to invest his money and support its growth. Jurkunas collaborated with Premier Banker Diana Taksir, Private Banker Dan Paris and Private Bank & Trust's Director of Estate Planning Kevin Flatley to assist with banking needs beyond the investment products of stocks, bonds and mutual funds.

Through a personalized approach, the team helped the customer transfer assets to obtain the loan and buy the property, establish a new personal banking relationship with Citizens Bank and retain the option to develop an estate plan and future investment options through CCO. Life Investment's holistic approach helped this customer achieve his financial goals while producing gains for the bank.

6,300 COMPLETED FINANCIAL PLANS


In the past two years, financial plans completed by Citizens Wealth Management professionals have increased from 181 to more than 6,300.



Wealth Management colleagues Kevin Flatley, Andrew Jurkunas, Daniel Paris and Diana Taksir collaborate to advise customers about loans, savings, investments and retirement planning.

“Citizens Wealth Management isn’t just about money. It’s also about getting to know customers on a personal level so we can understand their goals.”

— MIKE MILLARD
CEO, Citizens Wealth Management



Soraya Bandeli and Mary Steele, at right, came to Citizens for help with launching their business. It's now a global success, thanks to advice from Branch Manager Carla Goncalves (left), Business Banker David Sprunger, Assistant Manager Dan Norton, and RM Peg Mooney.

“Our team got to know Mary and Soraya and stayed in touch with them. As their company grew, so did their banking needs. We were able to provide the right banking services to them every step of the way”

— CARLA GONCALVES
Branch Manager

PEGASUS3 WORLDWIDE LOGISTICS, LLC

In 2010, Soraya Bandeli visited the Stoughton, Massachusetts, branch in search of financial advice for a company she planned to launch. Over the next few months, Assistant Manager Dan Norton and Business Banker David Sprunger met with Bandeli and her business partner, Mary Steele, to ensure they had the necessary documentation for opening a business. When the women were ready to launch, Banker Carla Goncalves joined their meetings to set up business accounts that would help them manage their finances.

For more than two years Sprunger continued to partner with Bandeli and Steele every step of the way. In 2012, he and Business Banking Relationship Manager Peg Mooney enhanced the business's expanding portfolio by adding products and services to accommodate their growing needs, including personal banking at Citizens for Bandeli.

The women's global shipping company, Pegasus3 Worldwide Logistics LLC, has grown to more than \$5.2 million in annual sales.

\$5.2 MILLION

Since its launch in 2010, Pegasus3 Worldwide has grown to more than \$5.2 million in annual sales.



COMMUNITY

A good bank is at the heart of a community. Investing in the communities where we live and work enriches us all. For more than 140 years, we've believed in a simple premise: A good bank gives back to the community and the people who live there.



CITIZENS HELPING CITIZENS

19,000 employees, one humongous heart.



COMMUNITY

“When the community prospers, we all prosper.” These words are part of our company’s credo for good reason. The community is home to our customers and to the colleagues helping them achieve their goals. When it is healthy and vibrant, the community anchors growing families and strong businesses.

We care deeply about the communities we serve. That’s why we built a broad strategy that leverages the strengths of our company. Our colleagues support a host of activities by volunteering side-by-side with their neighbors. Our foundation helps fund a range of nonprofit organizations. Our executives provide board leadership to community organizations. These efforts put us in a position to make a difference in neighborhoods across New England, the Mid-Atlantic and the Midwest.

We focus our giving on areas we believe will help strengthen the economic vitality of those regions:

- Fighting hunger
- Providing shelter
- Teaching money management
- Strengthening communities

We call this effort Citizens Helping Citizens.

In 2012, we gave nearly \$16 million to more than 1,000 nonprofits through grants and sponsorships. Just as significantly, we reached out to people in need through our signature programs.

Through RBSCFG’s Gear for Grades program, some 37,000 children from low-income families across our business footprint received backpacks filled with 27 tons of school supplies in early fall 2012. Colleague volunteers had their hands on many of those backpacks, stuffing them with donated supplies and distributing them to children with the help of partner agencies. Since 2003, we have given backpacks to 215,000 children.

The year was also notable for our annual Citizens Helping Citizens Colleague Giving campaign, designed to maximize colleagues’ charitable spirit via payroll deduction and one-click matching gifts. Colleagues responded by doubling the campaign response rate over the previous year’s and increasing their gifts to the community by nearly 30%. This means that in 2013, \$900,000 in colleague gifts is being distributed to 1,700 nonprofit organizations, including \$82,000 pledged to support the bank’s foundation giving.

Our colleagues demonstrated the meaning of good citizenship in new ways this year. We introduced the Citizens Helping Citizens Volunteerism Initiative, a

The foundation ranks 6th among leading banks for foundation giving as a percentage of assets, and seventh for giving as a percentage of deposits.

six-week effort to make it easier than ever for colleagues to log volunteer hours in our communities on a new intranet site. More than 500 colleagues received awards for logging 25 or more volunteer hours. In all, our colleagues served on more than 700 nonprofit boards and logged more than 60,000 volunteer hours last year – an 88% increase over the previous year. Our colleagues gave of their personal time and money to support nonprofit organizations including food pantries, schools, animal shelters and medical research.

Our Community Cashback program, which provides a \$250 grant to colleagues who log at least 50 volunteer hours with a single organization in a calendar year, had record-level participation.

The year 2012 also saw massive destruction in some of our communities due to Hurricane Sandy. On

\$16 MILLION

In 2012 we gave nearly \$16 million to more than 1,000 nonprofit organizations through grants and local sponsorships.

October 29, the devastating storm destroyed homes and businesses, and stranded residents in temporary shelters. Within 24 hours we stepped up to help our neighbors by offering banking-fee waivers, low-interest loans, introductory no-interest credit cards and other recovery financing options. A few days after the storm, RBSCFG pledged \$150,000 to support disaster relief efforts, enabling our nonprofit partner agencies and the American Red Cross to help people buy supplies and begin to repair their damaged properties.

In these and other significant ways, in 2012 RBSCFG and its colleagues lived the brand “Good Banking is Good Citizenship.” This is part of our core mission. We reach out, we form partnerships and we give back to our communities.



COMMUNITY AT A GLANCE

FIGHTING HUNGER

In 2012, RBSCFG invested more than \$1.3 million in nonprofit food and nutrition programs. We believe access to healthy food is critical for building prosperous communities. Hunger and nutritional deficits are pervasive in many areas of our business footprint, yet they can be among the simplest needs to address.

Many agencies in our communities collect, move and distribute food to people who need it. When RBSCFG makes a donation or its colleagues lend a hand, we leverage the strengths of those organizations. Their expertise and networks ensure that our contributions make the biggest possible impact.

Through these partnerships, we have underwritten refrigerated trucks to expand the range and selection of food pantries. We have made it easier for people to obtain fresh, local food in underserved areas, particularly in the inner city.

CHAMPIONS IN ACTION TURNS 10

Champions in Action®, a semi-annual grant competition that provides financial, promotional and volunteer support for nonprofits serving diverse neighborhoods, reached its 10th anniversary in 2012. To enhance the work of local agencies, we award winners \$35,000 unrestricted grants from our foundation, public service announcements and television profiles from local media partners, and public relations and volunteer support. Each winning organization's executive director can participate in a president-to-president mentorship with the bank's state president.

Over the past decade, the *Champions* program has provided more than \$6.7 million in grants to 260 nonprofit organizations in Connecticut, Massachusetts, Michigan, New Hampshire, Ohio, Pennsylvania and Rhode Island.

Striking out hunger in Rhode Island

In the summer months, children and teens who qualify for free school breakfasts and lunches no longer have access to those food sources. It is a time of high need and low donations to the food pantries.

Striking Out Hunger, now in its sixth year, is a collaboration among the Pawtucket Red Sox baseball club, the Citizens Bank Foundation and Cox Communications. The program provides summer meals to children and their families who might otherwise go hungry.

Every strikeout by a PawSox pitcher triggers a \$75 contribution to the Rhode Island Community Food Bank.

PROVIDING SHELTER

In a thriving community, people have a roof over their heads and beds to sleep in every night. The current economy has made it harder than ever for the poorest among us to find affordable shelter.

Through grants, sponsorships and in-kind contributions, we support homeless shelters and foreclosure prevention, helping our fellow citizens get back on their feet. In 2012, RBSCFG invested more than \$1.7 million in affordable housing and homelessness programs.

Housing partnerships in New York

We made grants to 10 affordable housing community partners serving the Capital Region, Hudson Valley, and greater Buffalo, Rochester and Syracuse. The funds support pre- and post-purchase counseling programs for first-time homebuyers as well as foreclosure-prevention counseling.

STRENGTHENING COMMUNITIES

We are always looking for ways to enhance the economic vitality of our communities. That's why we support job training, small businesses and neighborhood beautification. In 2012, RBSCFG invested more than \$2.7 million in these programs.

Empowering young fathers

In Chicago, the Charter One Foundation underwrites the Young Fathers Job Success program at Metropolitan Family Services, which helps young dads find employment, become financially self-sufficient and raise healthy children. Our colleagues volunteer to teach financial education classes, conduct mock interviews and provide business attire for the participants.

TEACH MONEY MANAGEMENT

Learning how to budget, save and plan for future financial needs is critical for families and individuals – for their own success and for the economic growth



SABBATICALS PUT COLLEAGUES TO WORK IN LOCAL AGENCIES

Our Community Service Sabbatical program awards colleagues paid, three-month leaves of absence to work full-time for local nonprofit agencies. In 2012, our 100th sabbatical recipient, Assistant Branch Manager Kevin Ferroni, spent three months lending his business and banking expertise to Mighty Writers, a Philadelphia organization that teaches writing skills to children.

and prosperity of their home towns. Our colleagues know their communities, and they know money. We partner with local nonprofits to train first-time homebuyers and to help youth and adults make educated financial choices.

In 2012, RBSCFG invested more than \$1.4 million in financial education programs.

Moving debt to assets

Since 2007, the Citizens Bank Foundation has underwritten the Greater Boston Interfaith Organization's Moving from Debt to Assets program. Adults who participate in the program learn how to better manage their money, and peer support groups provide accountability. Clients also participate in sessions with a financial counselor and receive a \$500 grant to help jumpstart their individual savings plans.



A MURAL ENERGIZES A CITY

Hundreds of Philadelphia residents and Citizens Bank colleagues picked up paint brushes last year to create a vibrant and enduring work of public art. The 3,156-square-foot mural, designed by artists Ennis Carter of Social Impact Studios and Eric Okdeh, honors Philadelphia's diverse workforce with its theme "Work Unites Us." The mural's installation on the side of a brick building at 8th and Race streets was made possible by a \$200,000 grant from the Citizens Bank Foundation.

In an effort to bring a fresh approach to the issue of workforce development, Citizens collaborated with the Philadelphia Mural Arts Program to pay tribute to the spirit of work, highlight the significance of workforce development to the health and future of the city, and bring critical issues surrounding the economy, work and personal responsibility into a meaningful city-wide dialogue.

Philadelphians came to neighborhood meetings to share their personal stories about what work means to them, their families and their communities. Many area nonprofit and governmental agencies from the greater Philadelphia area supported and participated in the mural's creation.

3,156 SQUARE FEET

The mural transformed a blank wall on the north side of 125 N. 8th Street in Philadelphia.

\$200,000 GRANT


Citizens Bank Foundation's donation made the massive project possible.

A photograph of four people standing in front of a large, colorful mural. From left to right: a woman with dark hair wearing a black top and a patterned shawl; a man in a dark suit and green tie; a woman with curly brown hair wearing a green turtleneck and a grey herringbone coat; and a woman with blonde hair wearing a red jacket and a red scarf. The mural behind them features abstract shapes in blue, orange, and brown, with a large '@' symbol visible at the top.

The building-high mural, “Work Unites Us,” is a point of civic pride for Citizens Public Affairs Director Henri Moore, Citizens Bank Pennsylvania President Dan Fitzpatrick, Executive Director of Mural Arts Jane Golden and Citizens Public Affairs Manager Deborah Khan.

“This mural is unique, and serves as a great example of what Philadelphians can do when they collaborate on a common theme.”

— MICHAEL A. NUTTER
Philadelphia Mayor

A photograph of Dan Carmody and Beth Dryden standing in front of the Eastern Market building in Detroit. The building is made of red brick and has a large archway with the word "EASTERN" inscribed on it. Dan Carmody is on the left, wearing a dark blue suit jacket, a blue shirt, and a patterned tie. Beth Dryden is on the right, wearing a dark blue jacket with ruffles. They are both smiling and looking towards the camera.

Eastern Market Corporation's Dan Carmody and Michigan Public Affairs Director Beth Dryden stand outside the market building in Detroit. Charter One's contributions have increased residents' access to healthy, local foods and helped vendors realize larger profits.

“This investment from Charter One has the potential to help trigger exponential benefits in Detroit. It makes Eastern Market more inviting and gives a boost to a local food industry.”

— DAN CARMODY
President, Eastern Market Corporation

REVITALIZING NEIGHBORHOODS

In urban areas weakened by changes in the job market, the real estate collapse and the recession, small recoveries are under way – and we are helping them blossom. Through our Growing Communities initiative, our grants support neighborhood revitalization and help grow small businesses.

We launched the first Growing Communities initiative in Cleveland's Ohio City neighborhood in 2010. In 2012, the initiative expanded to Michigan. The Charter One Foundation committed \$140,000 to Detroit's Eastern Market, which draws 40,000 visitors every week, to strengthen locally sourced food systems in Detroit. "Buying locally grown food strengthens the region's economy and supports the health of our residents," says Detroit Mayor Dave Bing. "Our food industry is growing, thanks to the efforts of Charter One and others."

Our Detroit-area partners include Eastern Market Corporation, Henry Ford Health System, Michigan State University Product Center, Greening of Detroit and the Detroit Community Market Network.

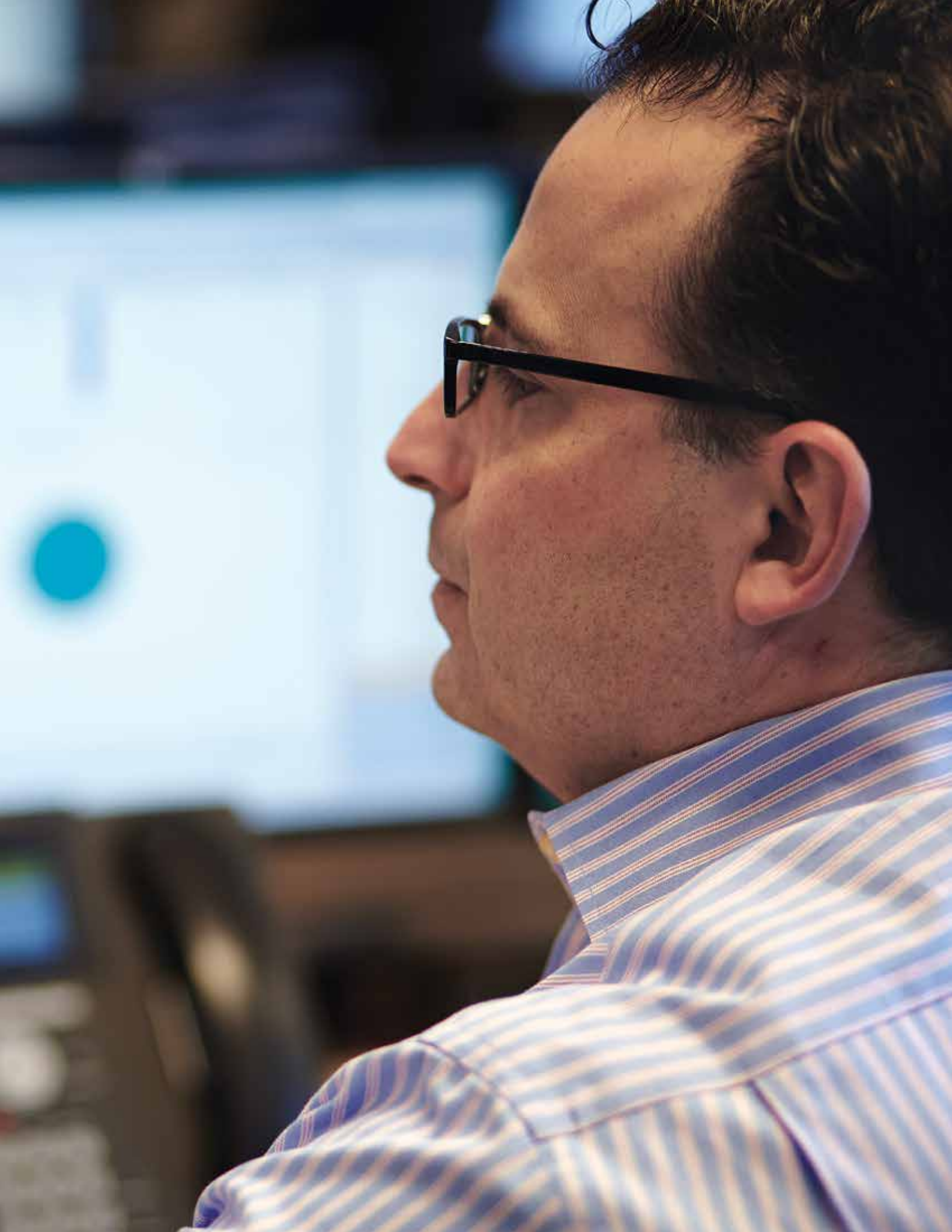
\$140,000 IN 2012

A Charter One Foundation grant provided resources for market vendors to expand their businesses and improve operations.



FINANCIAL REVIEW

RBS Citizens Financial Group reported pre-tax income for the full year 2012 of \$1.0 billion, an increase of \$253 million or 33% from 2011. The year's performance was our best since 2007 and the onset of the financial crisis.



FINANCIAL REVIEW

Highlights

(dollars in millions)

DECEMBER 31

BALANCE SHEET DATA:	2012	2011	2010	2009	2008
Total assets	\$127,053	\$129,654	\$129,689	\$147,681	\$159,925
Securities	19,417	23,352	21,814	28,172	27,909
Total loans and leases	87,248	86,795	87,022	95,080	111,031
Allowance for loan and lease losses	1,255	1,698	2,005	2,209	1,731
Goodwill and other intangible assets	11,322	11,324	11,362	11,443	12,021
Deposits	95,148	92,888	92,155	98,053	94,606
Federal funds purchased and securities sold under agreements to repurchase	3,601	4,152	5,112	5,222	5,401
Borrowed funds	1,195	6,342	7,784	18,508	34,926
Stockholder's equity	24,129	23,393	22,694	22,276	19,952

YEAR ENDED DECEMBER 31

OPERATING DATA:	2012	2011	2010	2009	2008
Net interest income	\$3,227	\$3,320	\$3,345	\$3,419	\$4,035
Provision for credit losses	413	882	1,644	2,783	1,932
Noninterest income	1,667	1,704	1,733	1,666	2,025
Noninterest expense	3,457	3,371	3,483	3,495	4,887
Income (loss) before income taxes of continuing operations	1,024	771	(49)	(1,193)	(759)
Income before income taxes of discontinued operations	-	-	26	52	-
Gain (loss) on sale of discontinued operations	-	7	(11)	-	-
Net income (loss)	643	506	11	(740)	(930)

OTHER DATA:

Return on average tangible assets	0.55%	0.43%	0.01%	(0.51)%	-0.62%
Return on average tangible common equity	5.10	4.29	0.11	(9.65)	-13.13
Net interest margin	2.89	2.97	2.78	2.49	2.84
Allowance for loan and lease losses as a % of total loans and leases	1.44	1.96	2.30	2.32	1.56
Allowance for loan and lease losses as a % of nonperforming loans and leases	67	95	85	101	154
Nonperforming loans and leases as a % of total loans and leases	2.14	2.06	2.71	2.31	1.01

Capital ratios

Tier 1	14.2	13.9	13.0	11.6	9.2
Total	15.8	15.1	14.4	13.0	11.2
Leverage ratio	12.1	11.6	10.4	8.7	7.0

FINANCIAL REVIEW

The Royal Bank of Scotland Group plc (“RBS”) reports the results of RBS Citizens Financial Group’s core businesses as “U.S. Retail and Commercial” in its published financial statements. The results discussed in this Annual Report are the full RBS Citizens Financial Group results as reported to U.S. regulators in accordance with United States Generally Accepted Accounting Principles.

RBS Citizens Financial Group reported pre-tax income for the full year 2012 of \$1.0 billion, an increase of \$253 million or 33% from 2011. The year’s performance was our best since 2007 and the onset of the financial crisis. It was driven by stable revenues on a smaller base of interest-earning assets, improved normalized expenses and greatly improved credit.

Three discrete events helped frame the results for the year:

- In the first quarter, we recorded a pre-tax charge of \$138 million in settlement of a class action lawsuit relating to how overdraft fees were assessed on customer accounts prior to August 2010. RBS Citizens Financial Group was one of more than 30 banks included in these class action lawsuits;
- In the second quarter, RBSCFG completed the sale of its Visa Inc. Class B shares for \$75 million. As part of this transaction, the company entered into a total return swap in which it will make or receive payments based on subsequent changes in the conversion rate of Visa Class B shares into Visa Class A shares. As a result of this transaction, the company recognized a pre-tax gain of \$62 million, net of \$13 million of exposure on the swap;
- In the fourth quarter, we recorded a \$77 million charge associated with the settlement of defined benefit obligations related to terminated vested plan participants.

Excluding the effects of the foregoing transactions, pre-tax income would have been \$1.2 billion, an increase of \$393 million, or 51%, from 2011. Full-year results should be viewed in the context of a challenging operating environment punctuated by high, but seemingly improving, unemployment;

a soft but improving housing market; historically low absolute levels of interest rates across the yield curve; intense competition, especially in lending; and increased regulatory oversight that came with an increased cost of compliance.

Total revenues of \$4.9 billion were down 2.6%, reflecting challenges in the broader economy and driven by a nominally smaller balance sheet. Declines in total consumer loans, principally residential real estate lending assets, reflected an unwillingness to hold long-term fixed-rate consumer assets. These declines were more than offset by increases in commercial lending as we continued to rebalance our lending mix toward commercial assets. Our available for-sale security portfolio also declined from a year ago, reflecting portfolio runoff, securities sales and a lack of reinvestment opportunities. The low-rate environment and intense competition, particularly in asset lending, limited opportunities for spread expansion.

Increases in mortgage banking fees and gains on the sale of securities and our stake in Visa B shares more than offset declines in customer deposit fees and service charges on ATM and debit card transactions. Mortgage originations of nearly \$7.9 billion increased \$1.4 billion, or 21%, from 2011. Mortgages are originated through local in-house distribution channels and are agency-conforming products, and the majority are packaged and sold.

Expenses remain a keen area of management focus. Noninterest expenses of \$3.5 billion include the impact of the posting-order litigation settlement and the settlement of defined-benefit obligations to terminated vested employees. Excluding the impact of these one-time charges, noninterest expenses of \$3.2 billion declined \$129 million, or 3.8%, from 2011, driven by a reduction in rewards-program expense and reduced costs associated with the management of non-performing assets.

Total impairment costs of \$413 million were \$469 million, or 53%, better than 2011. Credit trends continued to improve across every asset class. The Served by Other (“SBO”) portfolio, which represents substantially out-of-footprint home equity lines and loans that were purchased prior to 2008, represents approximately 3.8% of average lending assets, but accounted for 28% of net charge-offs.

RBS Citizens Financial Group’s total average assets remained substantially unchanged from 2011. This was due to strong growth in commercial lending that was offset by declines in the available for-sale portfolio and consumer assets, particularly home equity loans. Demand deposits and money market accounts increased from one year ago but were offset by declines in other interest-bearing deposits, particularly checking with interest and term and time deposits, which declined by 16% and 24%, respectively. The decline in checking with interest balances was primarily attributable to a program to exit certain government banking markets.

RBS Citizens Financial Group’s capital position remains strong both in terms of quantity and quality of capital. The company’s Tier 1 Common Equity ratio and Tier 1 ratio at December 31, 2012, were 13.9% and 14.2%, respectively. On September 28, 2012, RBSCFG issued \$350 million of 4.15% subordinated notes due in 2022. During the year, RBSCFG returned \$350 million of capital to its parent, RBS Group.

RBS CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For Years Ended December 31, 2012, 2011 and 2010

(in millions)	2012	2011	2010
INTEREST INCOME:			
Interest and fees on loans and leases	\$3,205	\$3,434	\$3,840
Interest and fees on loans held for sale	17	13	18
Investment securities	620	750	881
Interest-bearing deposits in banks	4	7	14
Total interest income	3,846	4,204	4,753
INTEREST EXPENSE:			
Deposits	375	490	733
Federal funds purchased and securities sold under agreements to repurchase	119	191	131
Borrowed funds	125	203	544
Total interest expense	619	884	1,408
Net interest income	3,227	3,320	3,345
Provision for credit losses	413	882	1,644
Net interest income after provision for credit losses	2,814	2,438	1,701
NONINTEREST INCOME:			
Service charges on deposits	558	597	628
Mortgage banking	189	62	145
ATM and debit card	169	267	284
Other service fee income	146	145	129
Trust and investment services revenue	131	131	116
International fees	105	114	114
Net gains on sales of securities available-for-sale	95	162	419
Credit card fees	80	77	93
Capital markets fee income	52	40	15
Bank-owned life insurance	51	49	49
Other-than-temporary impairment:			
Total other-than-temporary impairment losses	(84)	(189)	(164)
Portions of loss recognized in other comprehensive income (before taxes)	60	170	147
Net impairment losses recognized in earnings	(24)	(19)	(17)
Other net gains (losses)	41	3	(331)
Other income	74	76	89
Total noninterest income	1,667	1,704	1,733
NONINTEREST EXPENSE:			
Salaries and employee benefits	1,743	1,623	1,637
Equipment expense	356	354	357
Outside services	339	340	312
Occupancy	310	372	335
Promotional expense	86	102	124
Other operating expense	623	580	718
Total noninterest expense	3,457	3,371	3,483
Income before income tax expense (benefit)	1,024	771	(49)
Income tax expense (benefit) from continuing operations	381	277	(61)
Income from continuing operations	643	494	12
Income from discontinued operations	-	-	26
Gain (loss) on sale of discontinued operations	-	7	(11)
Income tax expense (benefit) from discontinued operations	-	(5)	16
Income (loss) from discontinued operations	-	12	(1)
NET INCOME	\$643	\$506	\$11

RBS CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2012 and 2011

<i>(in millions, except share data)</i>	2012	2011
ASSETS:		
Cash and due from banks	\$3,063	\$3,694
Interest-bearing deposits in banks	1,226	231
Securities available-for-sale, at fair value	18,356	22,150
Other investment securities	1,061	1,202
Loans held for sale, at lower of cost or fair value	646	564
<hr/>		
Loans and leases	87,248	86,795
Less: Allowance for loan and lease losses	1,255	1,698
Net loans and leases	85,993	85,097
<hr/>		
Goodwill and other tangible assets	11,322	11,322
Premises and equipment	1,266	1,164
Bank-owned life insurance	1,299	1,257
Other assets	2,821	2,971
TOTAL ASSETS	\$127,053	\$129,654
<hr/>		
LIABILITIES AND STOCKHOLDER'S EQUITY:		
Liabilities:		
Deposits	\$95,148	\$92,888
Federal funds purchased and securities sold under agreements to repurchase	3,601	4,152
Borrowed funds	1,195	6,342
Deferred taxes, net	446	15
Other liabilities	2,534	2,864
TOTAL LIABILITIES	102,924	106,261
<hr/>		
Stockholder's equity:		
Preferred stock:		
\$1.00 par value, 30,000 shares authorized, no shares outstanding at December 31, 2012 and 2011	-	-
Common stock:		
\$.01 par value, 5,000 shares authorized, 3,382 shares issued and outstanding at December 31, 2012 and 2011	-	-
Additional paid-in capital	18,595	18,568
Retained earnings	5,846	5,353
Accumulated other comprehensive loss	(312)	(528)
TOTAL STOCKHOLDER'S EQUITY	24,129	23,393
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$127,053	\$129,654

EXECUTIVE COMMITTEE

Ellen Alemany

Chairman and Chief Executive Officer

David Bowerman

Vice Chairman
Head of RBS Citizens Business Services

Michael Cleary

Head of U.S. Distribution, Consumer Banking

Brad Conner

Vice Chairman
Consumer Banking

John Fawcett

Chief Financial Officer

Sheldon Goldfarb

Chief Legal Officer

Susan LaMonica

Director of Human Resources

Robert Matthews

Vice Chairman
Commercial Banking

Theresa McLaughlin

Chief Marketing and Communications Officer

Robert Nelson

Chief Administrative Officer
Head of Strategy

Brian O'Connell

Regional Director
Technology Services Americas

Nancy Shanik

Chief Risk Officer

BOARD OF DIRECTORS

RBS Citizens Financial Group, RBS Citizens, N.A., and Citizens Bank of Pennsylvania

Ellen Alemany

Chairman and Chief Executive Officer
RBS Citizens Financial Group, Inc. and
Head of RBS Americas

William P. Hankowsky

Chairman, President and Chief Executive Officer
Liberty Property Trust

Howard W. Hanna III

Chairman and Chief Executive Officer
Hanna Holdings, Inc.

Charles J. ("Bud") Koch

Former Chairman, President and
Chief Executive Officer
Charter One Bank

Robert D. Matthews, Jr.

Vice Chairman, Commercial Banking
RBS Citizens Financial Group, Inc.

Arthur F. Ryan

Former Chairman, President and
Chief Executive Officer
Prudential Financial Inc.

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Chairman and Chief Executive Officer
FM Global

Judith M. von Seldeneck

Chairman and Chief Executive Officer
Diversified Search

Wendy A. Watson

Former Executive Vice President, Global Services
State Street Bank & Trust Company

Marita Zuraitis

President, P&C Companies
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CEO
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CEO
Smithers-Oasis Company





Senior Credit Facilities

*Joint Lead Arranger, Joint Bookrunner,
and Syndication Agent*



\$100,000,000
Senior Credit Facilities

*Joint Lead Arranger, Joint Bookrunner,
and Administrative Agent*



\$20,000,000
Lease and Equipment Financing



\$27,000,000
Senior Secured Construction Loan

Sole Lender



\$96,000,000
Senior Credit Facilities

*Sole Lead Arranger, Joint Bookrunner,
and Administrative Agent*



\$72,000,000
Senior Secured Construction Loan

Sole Lead Arranger and Agent



\$100,000,000
Senior Credit Facility

*Joint Lead Arranger, Bookrunner,
and Administrative Agent*



\$385,000,000
Senior Credit Facilities

Joint Lead Arranger and Bookrunner



HOME TO THE LEGENDS OF TENNIS

\$3,000,000
Credit Facilities plus
Cash Management, Deposit,
and Commercial Card Services



\$1,000,000,000
Revolving Credit Facility

*Joint Lead Arranger, Joint Bookrunner,
and Joint Syndication Agent*



\$27,000,000
Senior Credit Facilities plus Interest-
Rate Risk Management, Letters of
Credit, and Cash Management Services



Senior Credit Facilities
plus Letters of Credit and
Cash Management Services

Sole Lead Bank



\$3,200,000
Lease and Equipment Financing



\$72,000,000
Senior Secured Credit Facilities

Sole Lead Arranger and Administrative Agent



\$105,000,000
Senior Credit Facilities

*Sole Lead Arranger, Bookrunner,
and Administrative Agent*



\$330,000,000
Senior Unsecured Credit Facility

Administrative Agent and Sole Bookrunner



\$250,000,000 (2011)
\$75,000,000 (2012)
Senior Credit Facilities

Joint Lead Arranger and Syndication Agent



\$400,000,000
Senior Credit Facility

*Sole Lead Arranger, Bookrunner,
and Administrative Agent*



\$235,000,000
Senior Credit Facilities

Joint Lead Arranger and Syndication Agent



A portfolio company of
CATTERTON | partners

\$62,500,000
Senior Credit Facilities

*Joint Lead Arranger, Bookrunner,
and Administrative Agent*



\$3,400,000
Credit Facilities plus FX,
Cash Management, Deposit,
and Commercial Card Services



\$100,000,000
Senior Credit Facility

*Joint Lead Arranger, Bookrunner,
and Administrative Agent*



\$250,000,000
Senior Credit Facility

*Sole Lead Arranger, Bookrunner,
and Administrative Agent*



\$350,000,000
Senior Credit Facility

Joint Bookrunner



\$150,000,000
Revolving Credit Facility

*Sole Lead Arranger and
Administrative Agent*



**Banking and Cash
Management Services**



\$48,000,000
Senior Secured Construction Loan

Administrative Agent



\$162,500,000
Senior Secured Credit Facilities

Sole Lead Arranger



YMCA OF GREATER BOSTON

\$43,635,000
Direct Purchase of Tax-Exempt Bonds
plus Interest-Rate Risk Management,
Cash Management, and Deposit Services

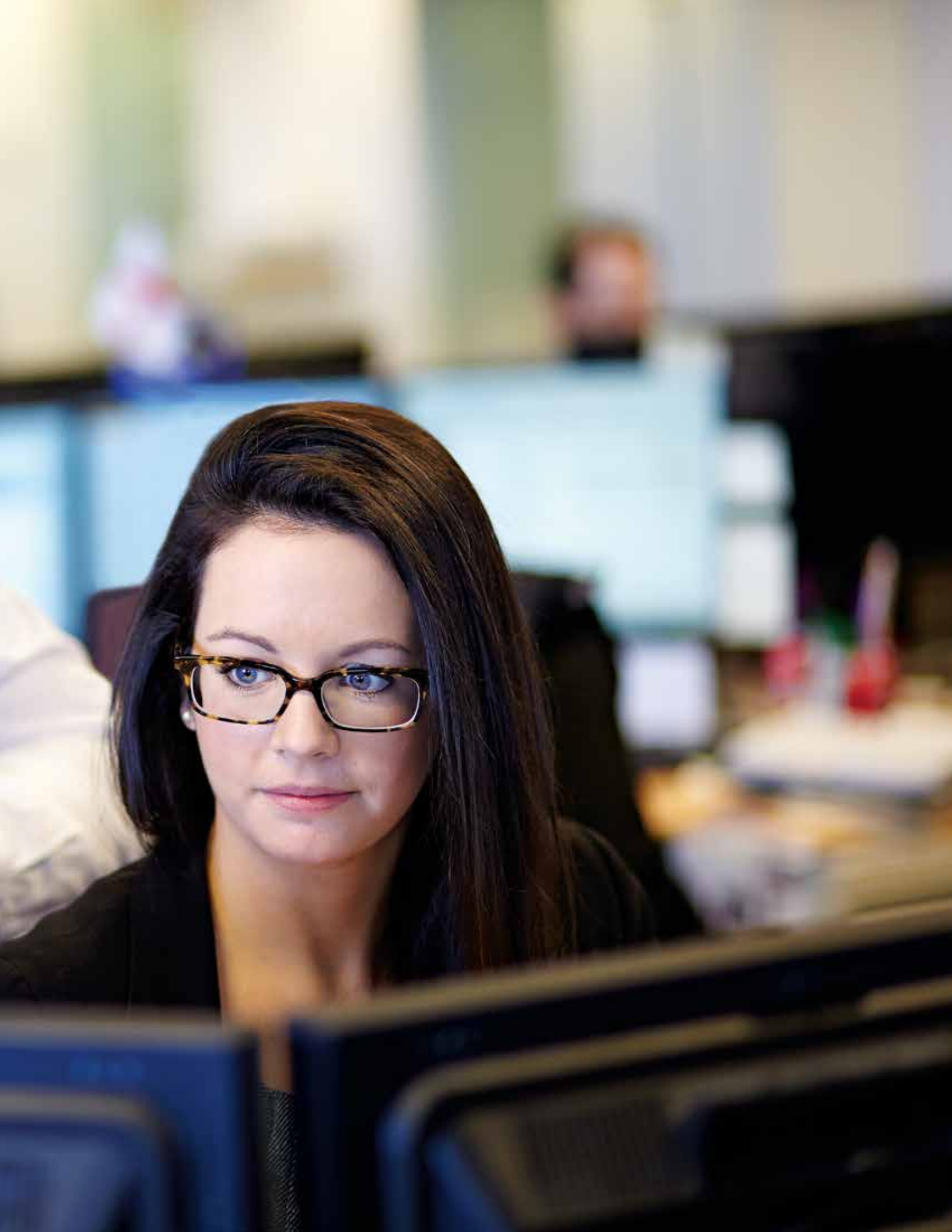
A Yum! Franchisee



\$64,000,000
Senior Credit Facilities plus Swap,
Cash Management, and Deposit Services

Sole Lead Arranger and Administrative Agent







Citizens Bank | Charter One | RBS Citizens

One Citizens Plaza
Providence, Rhode Island
02903