Competing in the ‘new normal’

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Agenda

- What is the ‘new normal’?
- RBS’s current position
- Re-tooling RBS
- Measuring success

Focus of this presentation

- RBS is being radically restructured. Huge changes are well underway reducing balance sheet, risk, product, client & geographic scope, cost base and changing the culture & management.
- Those changes constitute perhaps the most radical bank restructuring of modern times. However they are useless unless what is left, “Core RBS”, is strong and can compete successfully.
- This presentation focuses on the restructured “Core RBS” and how we can compete in the ‘new normal’.

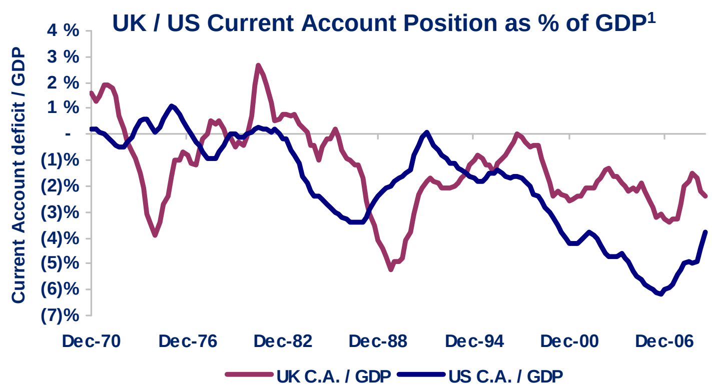
What is the ‘new normal’?

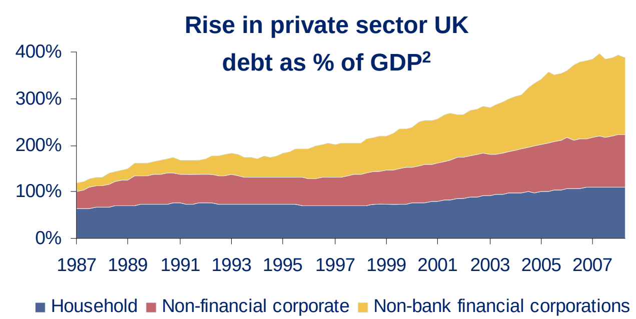
A return to economic growth, but constrained by the unwind of past excesses

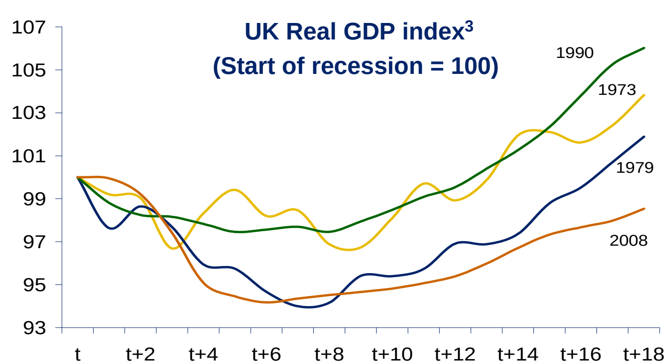
RBS

Macro Factors	Examples	Implications

- Growth resumes
- Existing economic imbalances still need to be addressed – process currently underway
- Fiscal and monetary squeeze as government support withdrawn
- Pace of recovery expected to be moderate







- Low interest rate environment to continue for a while
- Limited investment growth / opportunities
- Demand for credit improves slowly – focus on saving rather than increasing borrowing
- Restrained house price growth
- Constrained consumption growth
- Subdued volumes and hence non-interest income growth

[1] Source: DataStream
[2] Source: Bank of England
[3] Source: DataStream, RBS Group Economics forecasts

Banking industry to face a 'new normal' operating environment as a result

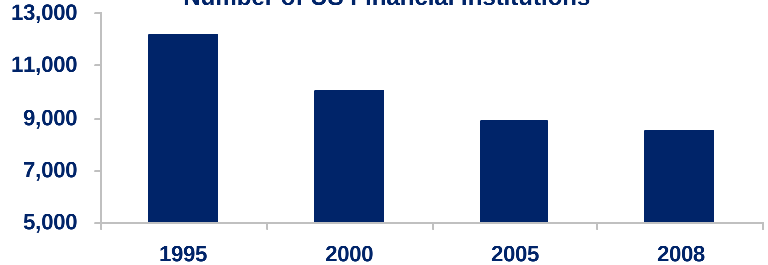
Micro Factors	Examples	Implications

Micro Factors

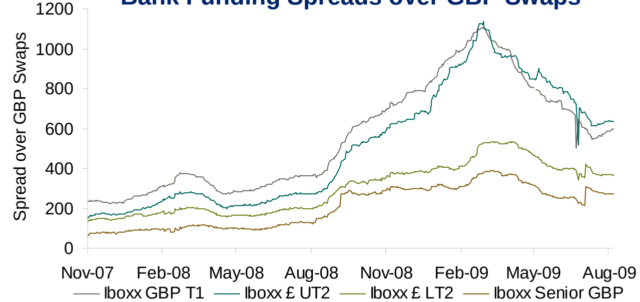
- Continued focus on in-market consolidation
- Participants exiting non-core / subscale franchises
- Impairments at elevated levels forecast to continue
- Availability and cost of wholesale funding improving but not to past levels
- Increased regulatory capital requirements and political scrutiny

Examples

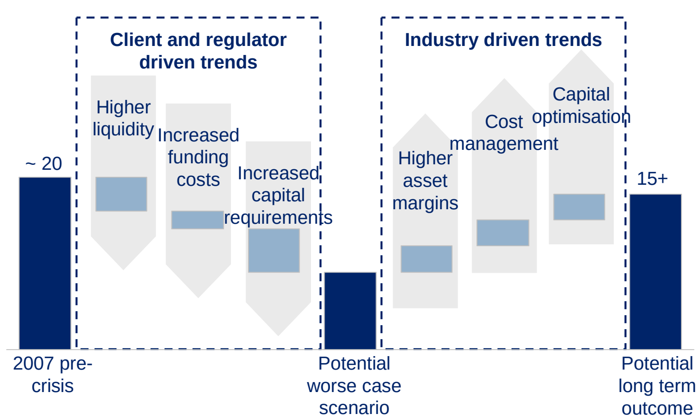
Number of US Financial Institutions[1]



Bank Funding Spreads over GBP Swaps[2]



Indicative Return on Equity Impacts[3]



Implications

- Rational competitive environment
- Increased opportunity for existing top tier franchises
- Competition for deposit funding intensifying
- Balance sheet growth muted
- Risk activity stays subdued (structured and leveraged credit)
- Focus on disciplined margin rebuild and cost management
- Higher risk weightings and strong 'through the cycle' capital ratios
- RoEs stay below previous peak but support capital rebuild

[1] Source: FDIC
[2] Source: Iboxx
[3] Source: RBS Analysis

RBS’s current position

2013 Vision for RBS

- To be one of the world's most admired, valuable and stable **universal banks**
- To return to **15%+ sustainable RoEs**, powered by market-leading businesses in **large customer-driven markets**
- To deliver its strategy from a **stable AA category** risk profile and balance sheet
- The business mix to produce an attractive blend of **profitability, stability** and **sustainable growth – anchored in the UK and in retail and commercial banking** together with customer driven wholesale banking, and with credible **growth prospects geographically and by business line**
- Management hallmarks to include an open, **investor-friendly approach, discipline** and proven execution effectiveness, **strong risk management** and a central **focus on the customer**

We have strong base positions

Our current position

RBS

All core businesses are top tier, scalable, customer driven franchises:

positives:

- Naturally profitable businesses with historic RoE of 15%+
- Strong customer base with growth potential
- Robust deposit franchises
- Enduring brands & customer loyalty
- Balanced portfolio operating at scale

negatives:

- All Core businesses are challenged by recession
- All divisions need to re-tool to fix past management weaknesses
- Group must also re-tool to meet future environment

Naturally profitable businesses

RBS

Each division has historically strong performance[1]

	RoE >15%	NIM >2.5%	C:I Ratio <50%	LDR ~100% or less
UK Retail	✓	✓		
UK Corporate	✓	✓	✓	
Wealth	✓	✓		✓
Global Banking & Markets	✓		✓	
Global Transaction Services	✓	n/m	✓	✓
Ulster Bank	✓	✓		
US Retail & Commercial	✓	✓	✓	✓
RBS Insurance	✓	n/m		n/m

[1] Pre recession

Strong customer base with growth potential

RBS

UK Retail	■ 12.6m current accounts (+3%)[1] and 9.7m savings accounts (+18%)[1] demonstrating robust growth & strength of franchise ■ Improved online banking proposition with 3.8m active users registered
UK Corporate	■ Customer base maintained throughout financial crisis ■ 1.0m Business Banking, 85,000 Commercial and 12,000 Corporate
Wealth	■ Customer base increased across the Wealth portfolio to c290,000 ■ 1%[1] growth despite shrinkage in the population of high net worth individuals
GBM	See table below
Ulster	■ Customer base increased 4%[1] across the Ulster Bank brand to 1.9m ■ Driven by strong growth in current and savings accounts
US R&C	■ 5%[1] core deposit growth achieved despite a very competitive US deposit market ■ SME & Corporate customer base maintained in a very challenging environment
Insurance	■ Own-brand motor policy numbers increased 8%[1] to 4.8m ■ Own-brand home insurance policies increased 11%[1] ■ Total own-brand non-motor policies increased 8%[1] to 5.9m

GBM

Customer Relationship Banking	**UK**	**W. Europe**	**USA**
■ Important Relationships	#1	#3	#6
■ Lead Relationships	#1	#3	#4
■ Domestic Banking	#1	#6	#9
■ International Banking	#2	#2	#3

To date, RBS's franchises have weathered the reputational damage of 2008/09 well

[1] Growth rates are H109 versus H108

Robust deposit franchises

Division	H109 Deposits	Overview	Outlook
UK Retail	£83.4bn	Strong client network with large affluent base Renewed focus on deposit gathering	
UK Corporate	£84.1bn	Ability to attract deposits supported by depth of client relationships Sector reducing leverage and retaining higher deposit levels	
Wealth	£35.7bn	Significant net contributor to Group funding Strong brands, leading players in their markets	
Ulster	£18.9bn	Focus on deposit gathering Opportunity to drive deposits through existing customer relationships	
US R&C	£60.2bn	Historically strong absolute and comparative deposit base Rebalancing of economy supports deposit growth	
GTS	£54.0bn	Pivotal role in growing deposits for the Group Consolidation of the market toward key players further supports position	

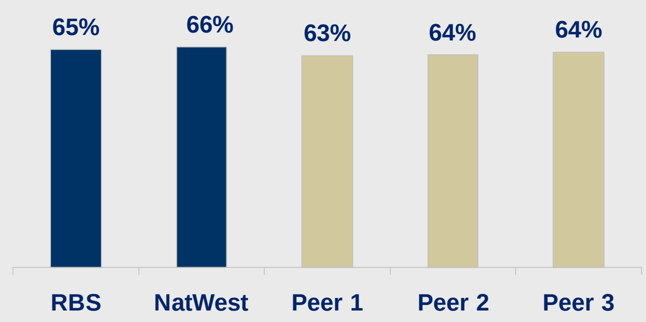
- Core Group maintains ability to generate and retain strong deposit balances
- RBS deposit franchise will benefit as households and businesses rebalance
- Deposits not seen as a funding weapon previously – upside as focus grows

Enduring brands & customer loyalty

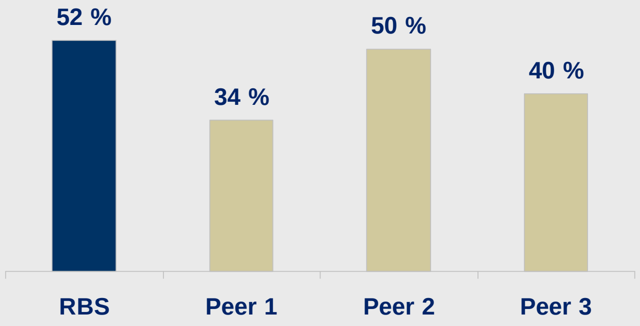
RBS

Enduring customer satisfaction

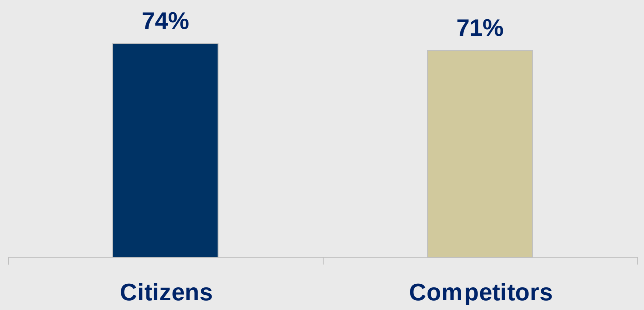
UK Retail[1]



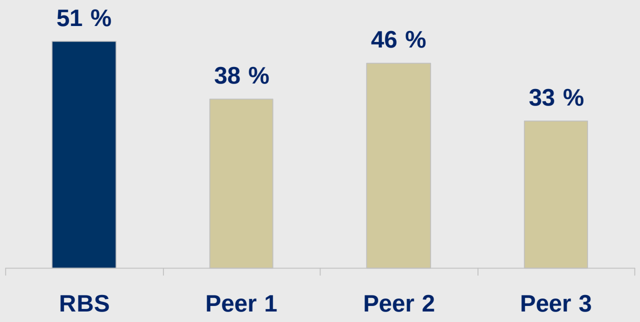
Commercial[2]



Citizens[3]



Corporate[2]

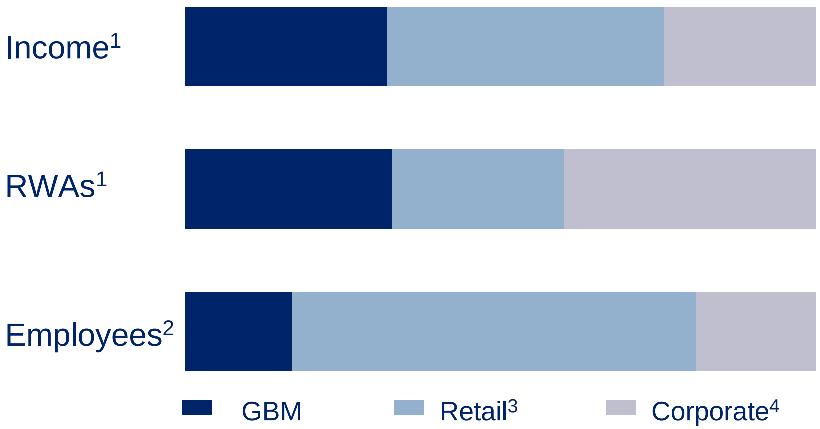


- Enduring customer franchises – with consistently high levels of customer satisfaction
- Customer loyalty maintained during financial crisis
- Robust base upon which to leverage group connectivity and drive cross-sell

[1] % of customers responding “extremely satisfied/very satisfied”, August 2009, High Street Banks, Source: GFK RFS
[2] % of customers responding “very satisfied” November 2008, Source: Ipsos MORI and Illuminas
[3] % of customers responding “completely/very satisfied”, June 2009, Source: Opinion Research

Balanced portfolio, operating at scale

- Diversified income streams
  - Income 1/3 GBM, 2/3 Retail & Corporate
- Well matched RWAs
  - RWAs 1/3 GBM, 2/3 Retail & Corporate



[1] Q209
[2] H109, excludes manufacturing and central heads
[3] Retail includes UK Retail, Wealth, Ulster Bank Retail, US Retail and Insurance
[4] Includes UK Corporate, Ulster Bank Commercial, US Commercial and GTS

Current market position of selected franchises

UK/Ireland	GBM/GTS Global Rankings	US R&C
#1 Small business banking	#3 Corporate bonds	Top 5 player in markets in which we operate
#1 Corporate and commercial	#3 Syndicated loans	#2 by deposits (New England)
#1 Cash management	#4 Foreign exchange	#3 by deposits (Pennsylvania)
#1 Private banking	#5 Interest rates	#1 by branches (New Hampshire)
#2 Personal current accounts	#5 Securitisation	#1 by branches (Rhode Island)
#1 Motor insurance	#4 Merchant acquirer	#2 by branches (Pennsylvania)
#2 Household insurance	#5 Trade finance	
#1 Bank in Northern Ireland	#4 International cash management	
#3 Bank in island of Ireland		

Re-tooling RBS

How are we re-tooling the business?

Strengthening the customer franchise & improving business economics & strategy by…

Cost management & cost reduction

Business investment programmes

Re-focusing & expanding the service proposition

Margin & Non Interest Income initiatives

Increasing group connectivity, cross-sell & complementarity

Cultural change

Balanced funding

Targeting market leading C:I Ratios

£2.5bn cost reduction programme to 2011 & more thereafter

£0.6bn savings in H1

- Annualised, approximately £1.1bn of £2.5bn delivered

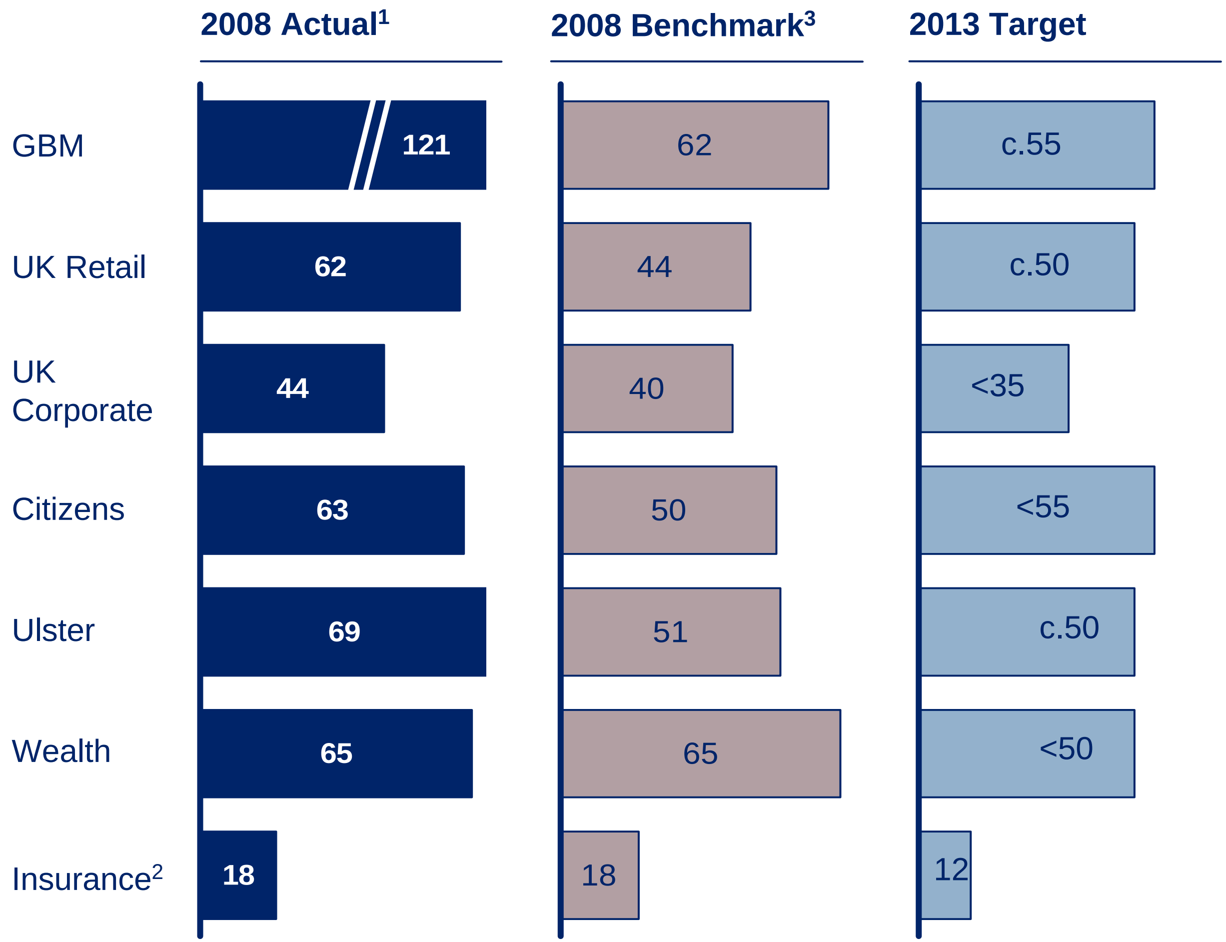
ABN integration nearly there

- Client and trade novations
- Systems de-duplication
- Technical separation delivered in Netherlands

New restructuring and efficiency programmes

- Major efficiency programmes mobilised in Divisions
- Ops & technology costs rebased
- FTE reductions in H1 of 6,400 as businesses are integrated & right sized

Cost/Income ratio targets by division, %



[1] All figures fully-loaded as restated in 1H09 Company Announcement
[2] Expense ratio pre-claims
[3] Company Accounts

Addressing past under-investment

RBS

Information Technology[1]

Parameters	RBS average 2005–2007	Peers average
IT spend as percent of		
– Total income, %	7.2%	8.7%[2]
– Total expenses, %	12.8%	16.4%
Percent of total expenses spent on:		
– "Run the bank"[3], %	10.0%	11.8%
– "Change the bank"[3], %	2.6%	4.3%

Common needs of businesses & examples of Initiatives	Implementation costs
Improve and integrate infrastructure ▪ GBM – data centres consolidation and IT improvements ▪ Claims system replacement in Insurance	c10%
Improve MI systems ▪ Group Functions asset protection scheme ▪ Rating and pricing system for RBS Insurance	c4%
Reduce cost to serve customers and increase efficiency ▪ Cost reduction program in Manufacturing ▪ GBM Cost & Control initiative	c55%
Channel development and optimisation ▪ Implement multi channel shift and customer decisioning for UK Retail	c12%
Other ▪ IT cost of Non-Core divestment, and discretionary spend	c19%

5 year spend > £6bn to foster growth & efficiency

Marketing

Parameters	RBS average 2005–2007	Peers average
UK: Marketing spend per £1000 of revenues, £[4]	2.5	4.5
US: Marketing spend per $1000 of revenues, $[4]	2.4	4.0

Increased brand and product marketing e.g. NatWest, Citizens, Direct Line and Churchill

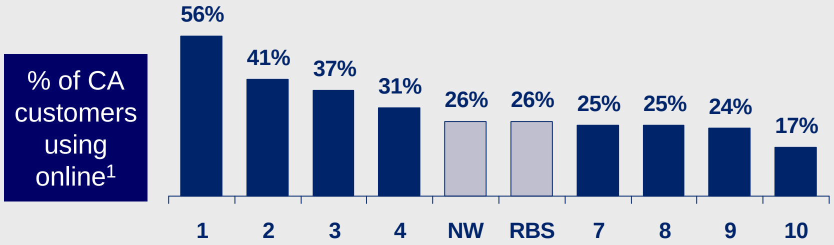
1 Nine top banks from Great Britain, France, Germany, Italy, Denmark, Scandinavia, Spain; 7 out of 9 belong to the European TOP 20 by assets in 2007
2 Top quartile efficient peers spend 5.7%
3 "Run the bank": operating expenses and development/capex for sustaining operations; "Change the Bank": development and capex for cost reduction and business enablement
4 Does not include sponsorship costs
Source: 2008 European Banking IT Cost Benchmarking Survey, TNS/Strategy media expenditure data

Refocusing the service proposition

RBS

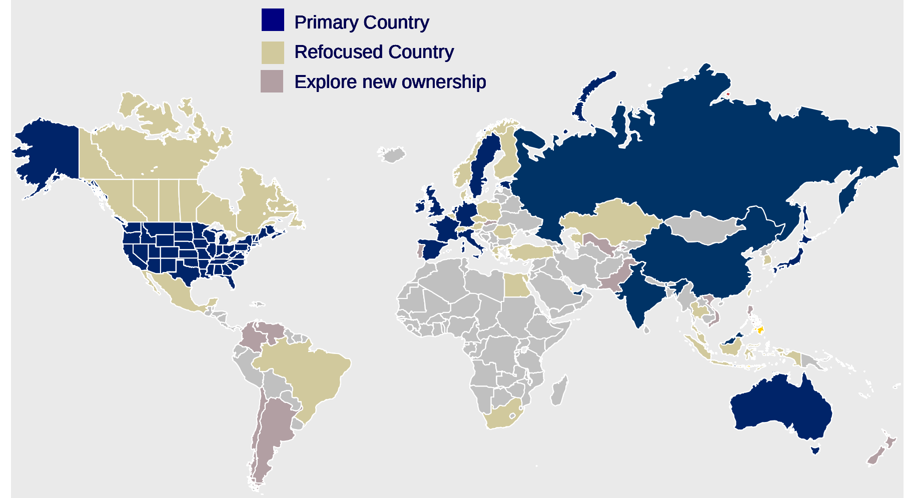
Increasing customer accessibility – e.g. UK Retail

Significant opportunity to build remote channel access



- Build new channel platforms and capabilities
- Migrate customers to remote channels & improve productivity
- Reconfigure branch footprint and format

Re-focusing the footprint – e.g. GTS Network



Refining the business proposition – e.g. Citizens

In footprint:	12 State footprint Exiting out of footprint lending Increasing density & coverage in major markets National bank expertise, local bank approach
Align Retail & Consumer:	Two key segments; Consumer & Commercial Leverage branch infrastructure & service channels for cross-sell opportunities Enhance mass affluent offering
Cross-sell:	Capitalise consumer, SME & Commercial opportunities Share skills, efficiencies & best practise of the Group Leverage RBS's worldwide capabilities in GTS/GBM

Deepening customer relationships – e.g. GBM

Focus on priority clients…	Client wallet and return Strength of RBS Relationship
…with comprehensive product suite	Debt, Equity, Risk Management Cross sales, tailored client solutions
…and fully aligned resources	Aligned sales, research, coverage Careful capital deployment

[1] Source: e-benchmarkers

Margin and Non II initiatives

RBS

Plan Assumptions

		2008 -09	2009 -11	2011 -13
Margin	Group NIM	↘	→	↗
	Asset margins	→	↗	↗
	Liability margins	↘	↘	→
	Front book margins:			
	- UK Retail	↗	→	→
	- UK C&C	↗	→	→
	- Wealth	↗	→	→
	- GBM[1]	↗	→	→
	- Ulster	→	↗	→
	- US R&C	→	↗	→
	Impact of funding & liquidity	↘	↘	→
	Overall deposit margin	↘	→	↗
	Non Interest Income	→[2]	→[2]	↗

Assumptions

- Interest rates forecast to rise from 2011
- Competition will remain intense in deposits

Non-interest income initiatives

UK Retail	■ Invest in new affluent proposition with enhanced wealth management products ■ Integrate RBS general insurance products
UK C&C	■ Leverage GBM capital markets platform and products (FX, Rates, etc.) ■ Cross-sell with GTS product set into core customer base
Wealth	■ Invest in private banking network and recruit new private bankers
GBM	■ Deepen corporate and FI client relationships ■ Focused investment in commodities and equities platforms and franchises
GTS	■ Leverage network to cross-sell to global RBS clients ■ Invest in and grow market leading product capabilities in trade and payments
Ulster	■ Leverage GBM capital markets platform and products ■ New bancassurance platform
US R&C	■ Invest in more sophisticated product range and platforms e.g. affluent proposition ■ Leverage Group connectivity with GBM capital markets platform (FX, Rates, etc.) and improved GTS product set
Insurance	■ Improve current distribution, accelerate sale of products in RBS networks ■ New products; e.g. Direct Line for Business

[1] Non-money market margins [2] Excluding exceptional GBM trading performance in H1 2009 and write-downs in 2008

Building connectivity across the Group

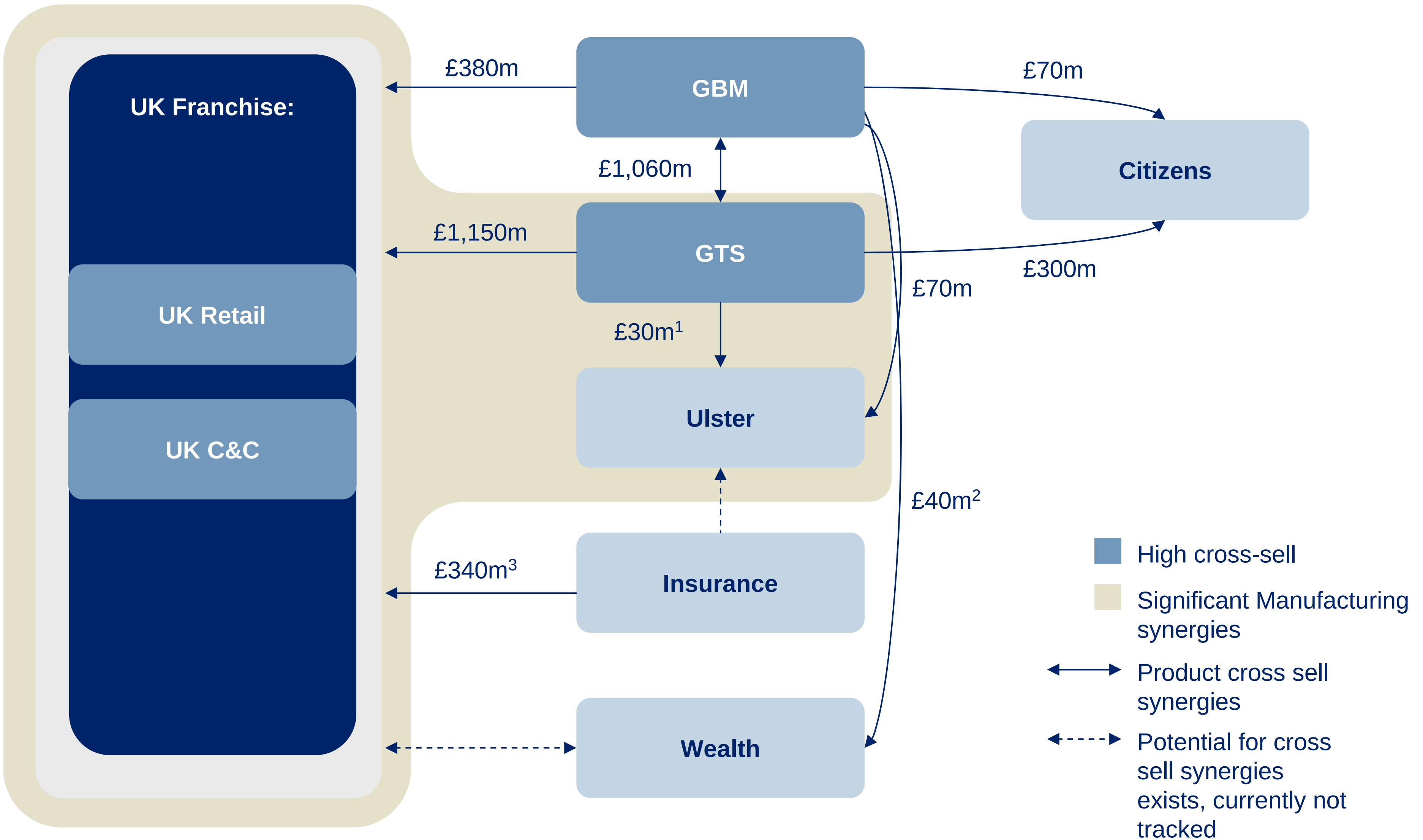
- Exploiting connectivity will drive significant revenues and synergies Group-wide
- Leverage opportunities exist across customers, platforms and services

	GTS	GBM	UKC&C	UK Retail	Ulster	Wealth	Citizens	Insurance
Cross sell	✓	✓	✓	✓	✓	✓	✓	✓
Joint targets / incentives (e.g. revenue targets)	✓	✓	✓	✓	✓	✓	✓	✓
Leverage relationships	✓	✓	✓	✓	✓	✓	✓	✓
Shared technology/platforms	✓	✓	✓	✓	✓	✓	✓	✓
Share best practices/ talent	✓	✓	✓	✓	✓	✓	✓	✓
Leverage locations	✓	✓	✓	✓	✓	✓	✓	

Customers Platforms Services

Improving Group connectivity, cross-sell & complementarity

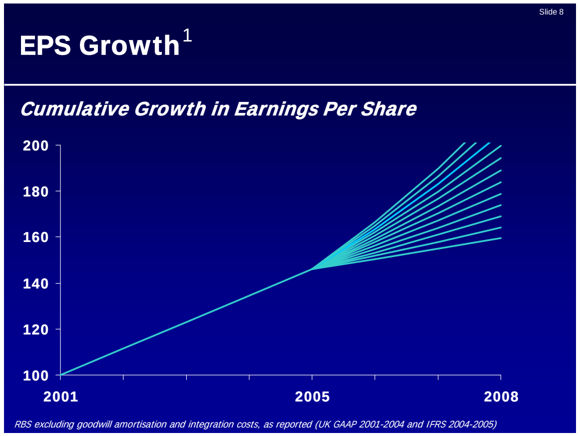
£m cross sell revenues, 2008



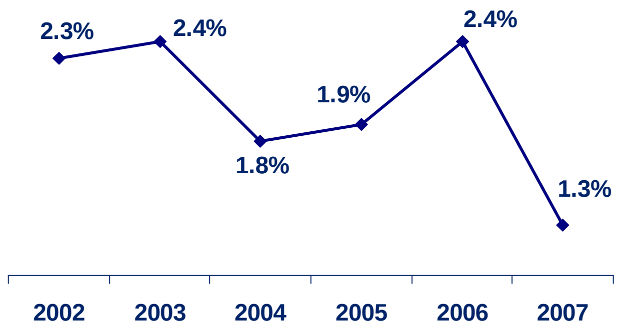
1 2009 forecast
2 Includes non-core
3 Gross written premiums

Cultural change

Old Focus



RBS - Tangible equity to tangible assets 2002-07[2]



- Budget driven
- Revenue and earnings driven
- Insufficient attention to balance sheet

New Focus

Measure

Risk:

- Stand-alone credit rating
- Core Tier 1 capital ratio
- Loan/deposit ratio (LDR)
- Wholesale funding reliance
- Liquidity reserves

Return

- Return on Equity (RoE)
- Cost/income ratio (C:I)
- Cost/income net of claims (C:I)

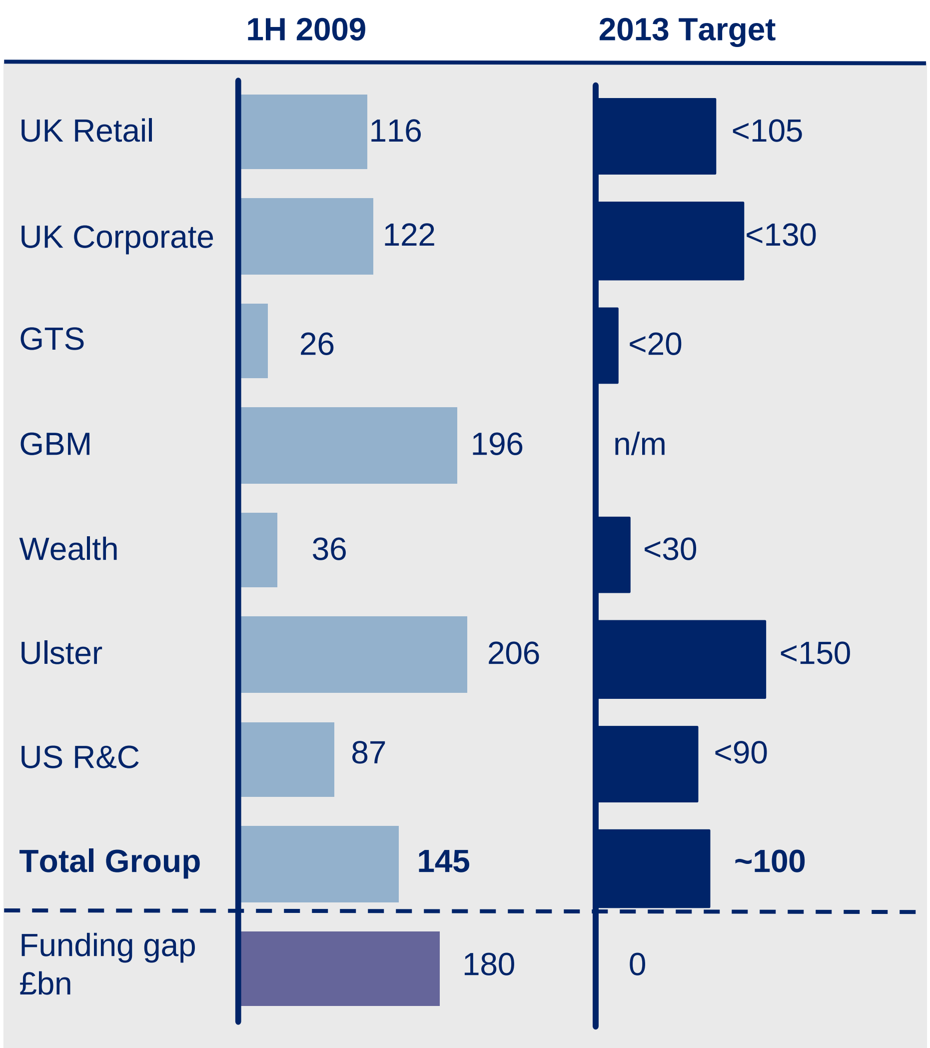
- New approach – establishing a sustainable organic business model
- Financial metrics targeting resource use as well as output. Focus on longer term returns
- Balance sheet & funding of equivalent importance to P&L account

[1] Source: RBSG Divisional Conference November 2006;
[2] Defined as Shareholders funds, less other owners and intangibles, divided by total assets minus intangibles and derivatives

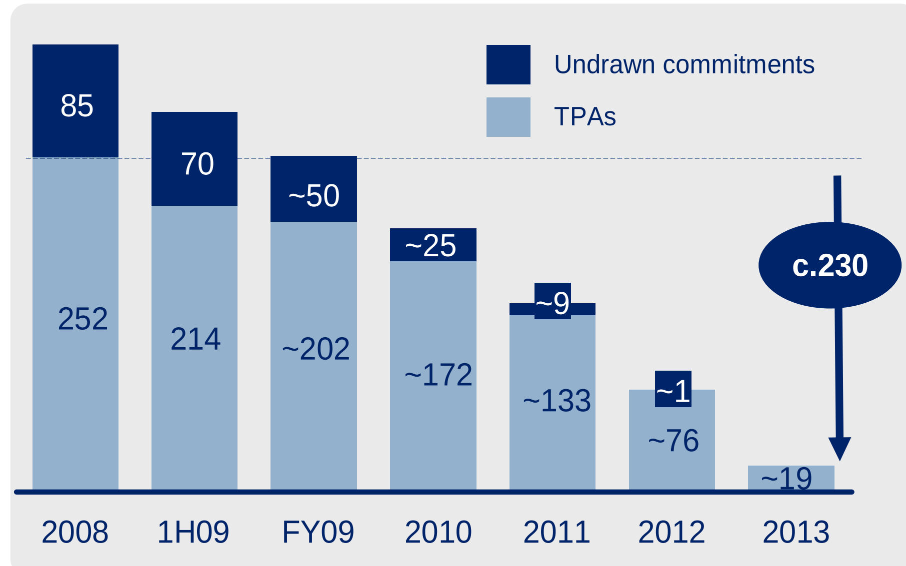
Targeting a balanced funding model

RBS

Loan to deposit ratios, %



Non-Core asset run-off targets, £bn



- Reduced reliance on wholesale funding markets
- Target Group LTD ratio of ~100% by 2013
- Run-off of £230bn Non-Core assets 2009-2013
- 4-5% CAGR required in deposits

Measuring success

How to measure success?

Clearly defined financial targets

Measure	2008 Actual	2013 Target
Risk		
Stand-alone credit rating[1]	BBB category	AA category
Core Tier 1 capital ratio	4%[2]	>8%
Loan/deposit ratio (LDR)	156%[3]	c.100%
Wholesale funding reliance[4]	£343bn[5]	<£150bn
Liquidity reserves[6]	£90bn[7]	c.£150bn
Return		
Return on Equity (RoE)[8]	(28%)	>15%
Cost/income ratio (C:I)	79%	<45%[9]
Cost/income net of claims (C:I)	97%	<50%[9]

Targets by division

UK Retail

	RoE, %	C:I, %	LDR, %
2011	>1	<60	<120
2013	>15	c.50	<105

Wealth

	RoE, %	C:I, %	LDR, %
2011	n.m.	<60	<35
2013	n.m.	<50	<30

UK Corporate

	RoE, %	C:I, %	LDR, %
2011	>5	<45	<135
2013	>15	<35	<130

Ulster Bank

	RoE, %	C:I, %	LDR, %
2011	>0	<75	<175
2013	>15	c.50	<150

GBM

	RoE, %	C:I, %
2011	c.15	<65
2013	15-20	c.55

Citizens

	RoE, %	C:I, %	LDR, %
2011	c.10	<70	<90
2013	>15	<55	<90

GTS

	RoE, %	C:I, %	LDR, %
2011	n.m.	c.55	<25
2013	n.m.	<50	<20

Insurance

	RoE, %	C:I, % (net of claims)
2011	>15	<70
2013	>20	<60

(1) Standard and Poors rating, ex HMG support (2) As at 1 January 2008 (3) As at October 2008 (4) Amount of unsecured wholesale funding under 1 year (£bn) (5) As at December 2008 (6) Eligible assets held for contingent liquidity purposes including cash, Govt issued securities and other securities eligible with central banks (7) As at December 2008 (8) After tax return on tangible equity normalised for APS in 2013 (9) Core Bank

Creating an attractive investor story

Top tier market franchises	Leading positions in all our customer businesses Strong, predictable and resilient business performance Developing global franchises in Wealth, GTS and parts of GBM
Balanced portfolio	Complementary portfolio with clear cohesion logic and synergies Balanced by geography, growth, risk profile and business cycle
Solid profitability and attractive return potential	Commitment to RoE >15% on an expanded equity base Attractive and sustainable income characteristics
Low volatility under-pinned by strong balance sheet	Clean balance sheet with CT1 in top quartile of universal banking peers Criteria for standalone AA category rating met
Standalone strength and solid foundations	Proven management track record, new disciplines in place Roadmap to orderly UKFI stake sell down
Investor friendly	Transparent and responsive communication with few negative surprises Clearly articulated strategy with evidence of it working

Concluding remarks

Concluding remarks

- A challenging macro environment continues
  - Near-term re-balancing & unwind will constrain growth
  - Headwinds from impairments will continue
- Markets will emerge with fewer competitors, but only the fit will prosper
- Businesses must re-tool to compete effectively
- RBS offers a global model with local strength of offer
- RBS Group is an attractive turnaround story:
  - Strong business fundamentals
  - Credible balance sheet, risk and funding transformation plan
  - Aggressive Core business re-tooling underway
  - Transparent and comprehensive performance metrics

Near-term focus on balance sheet & capital stability;
2010 focus on execution of the plan

Questions?

Appendices

Divisional targets

UK Retail

Unlocking the value of our customer franchise as the most helpful retail bank in the UK

	RoE, %	C:I, %	LDR, %
2011	>1	<60	<120
2013	>15	c.50	<105

- Customer support and lending commitments
- Reduce cost to serve by >£350m
- Transformation investment of c£800m
  - Product enhancements and affluent proposition
  - New internet and telephony platforms
  - Reconfigured branch footprints and formats`

UK Corporate

Leading franchise focused on re-building sustainable value for customers and the bank

	RoE, %	C:I, %	LDR, %
2011	>5	<45	<135
2013	>15	<35	<130

- Customer support and lending commitments
- Investment in service effectiveness, credit processes and portfolio management
- Deposit gathering capability enhancement
- Re-balance away from property concentrations

GBM

Strong wholesale bank, built around clients in chosen markets, with much lower risk

	RoE, %	C:I, %
2011	c.15	<65
2013	15-20	c.55

- Focus on core customers and “flow” markets
- Leader in chosen markets
- Huge risk, product and geographic restructuring
- Investment in reducing costs and improving controls

GTS

Leading global player, serving Group clients and with a central role in deposit gathering

	RoE, %	C:I, %	LDR, %
2011	n.m.	c.55	<25
2013	n.m.	<50	<20

- Technology investment to stay ahead
- Improved international cash management capability to support deposit growth
- Restructure and profitably promote trade finance platform

Divisional targets

Wealth

Leading UK franchise with global reach, providing growth and substantial funding to Group

	RoE, %	C:I, %	LDR, %
2011	n.m.	<60	<35
2013	n.m.	<50	<30

- Strategic coverage growth
- Streamlining “cost to serve” and productivity
- Investment and product platforms enhanced

Ulster Bank

Restructuring to sustainable profitability as Irish economy recovers

	RoE, %	C:I, %	LDR, %
2011	>0	<75	<175
2013	>15	c.50	<150

- Major portfolio restructuring, especially real estate
- Achieve >20% reduction in cost base and brand consolidation
- Close funding gap and re-build margins
- Lead on customer service and support

Citizens

A leading US “super-regional” bank

	RoE, %	C:I, %	LDR, %
2011	c.10	<70	<90
2013	>15	<55	<90

- Restructure to focus on customer leadership in core footprint states
- Investment in platform efficiency, customer service and marketing
- Sustain conservative risk profile
- Close income and margin “gaps” vs. peers

Insurance

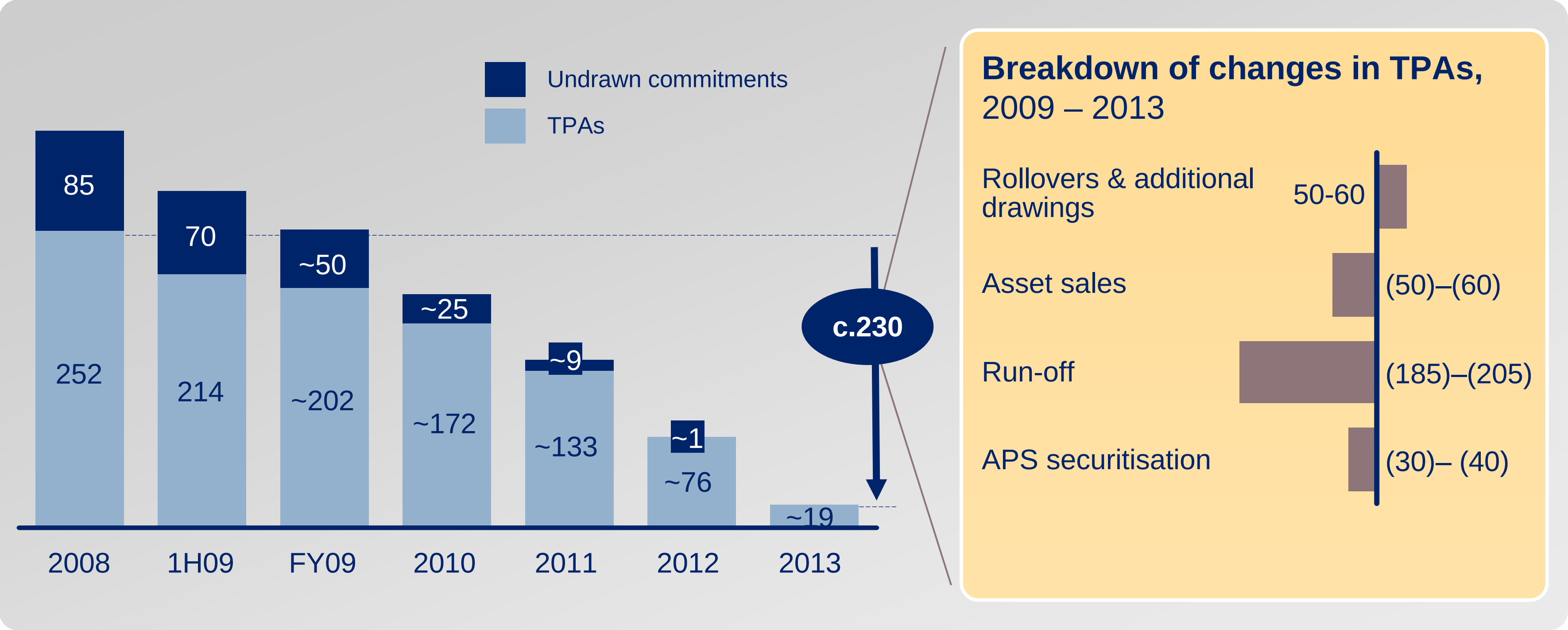
Becoming UK’s leading and most profitable general insurance business

	RoE, %	C:I, % (net of claims)
2011	>15	<70
2013	>20	<60

- Investment in claims transformation
- Continued cost restructuring
- Customer growth through leverage of cost, brand and RBS distribution advantages

Non-core asset run-off targets

Non Core third party assets (TPAs excl MTMs) run-off targets, £bn



Success in achieving this run-off profile would require:

- Market conditions recovering sufficiently to allow disposals of assets at an acceptable valuation
- Securitisation or sale of APS assets in outer years, reliant upon markets being open and, in certain circumstances, HMT permission

Note: run-off at constant year-end 2008 FX rates

APS and EU

APS[1] is two things wrapped in one

1) **Insurance Policy** (c.£300bn in size) to guard against "stressed downside risk"

2) **Equity Raising** (£19.5 – 25.5bn "B" shares) to pay insurance fee and restore RBS Core Tier 1 to AA category levels over the plan period in "expected case"

- Insurance policy naturally falls away as covered assets mature, Non-core runs down and RBS Standalone strength is built.
- APS is needed to allow RBS to pass regulators "stress tests" (4% CT1 in stress case) and sustain current ratings during restructuring phase.
- EU "State Aid" approval required for Oct '08 "recap" and APS. EU look at "viability" of plans, "competitive impact" of aid and "burden-sharing".
- Negotiations in late stages on all the above to confirm, fine tune or change as necessary

[1] Terms of the APS have been agreed in principle with HMT and are subject to further due diligence and State aid approval

APS Implementation – Anticipated timeline

2009

Current stage

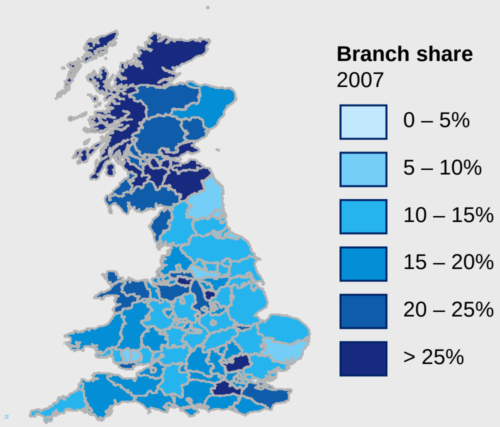
Feb → **Autumn**

Phase 1	Phase 2	Phase 3	Accession agreement	Accession
▪ Initial identification of assets for APS ▪ Term sheet agreed ▪ Initial due diligence by HMT	▪ Finalisation of asset selection ▪ Negotiation of detailed terms of APS and documentation ▪ Further HMT due diligence	▪ Establish governance structures and controls ▪ Establish data and reporting system and processes	▪ Sign accession agreement	▪ Shareholder circular ▪ General Meeting

Current Position – Core UK Retail

RBS

Leading customer base & branch network



Personal current accounts increased 3% to 12.6m

Personal savings accounts increased 18% to 9.7m

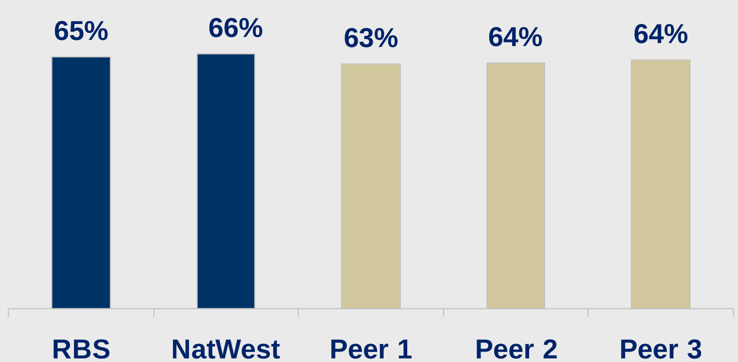
Top tier market positions

Market share by volume, %, Dec. 2008[1]

	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5	RBS	RBS ranking
Current account	**35**	**17**	**15**	**12**	**8**	20 ↔	#2
Savings	**32**	**12**	**12**	**18**	**14**	10 ↑	#6
Credit cards	**28**	**24**	**19**	**3**	**4**	15 ↔	#4
Personal loans	**24**	**8**	**9**	**8**	**2**	11 ↔	#2
Mortgages	**28**	**7**	**4**	**10**	**10**	6 ↑	#5

Consistently high customer satisfaction

Customers extremely/very satisfied[2]



Current Position

- Robust franchise with top tier positioning
- Maintained customer loyalty during recent turmoil
- Challenges to address:
  - restructure to improve break-even position
  - high operating costs & impairments
  - regulatory risk constraining income growth
  - funding gap to close
  - move to multi-channel offering

[1] GFK data: credit card share equals more than 100% as some customers have multiple accounts

[2] % of customers responding ‘extremely satisfied/very satisfied’, August 2009, High Street Banks, Source: GFK RFS

Current Position – Core UK Corporate

RBS

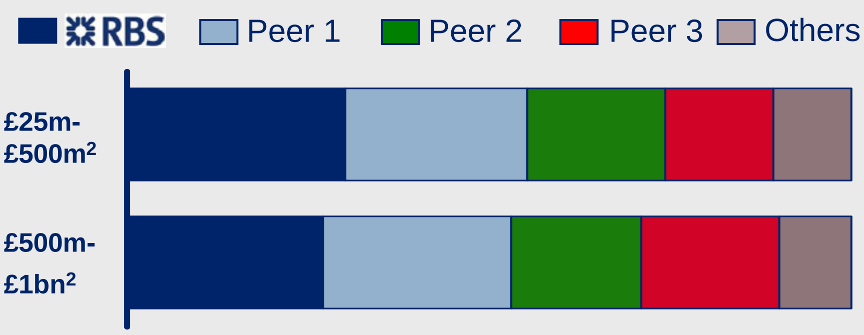
Market leading product offering

Overview of competitors banking products

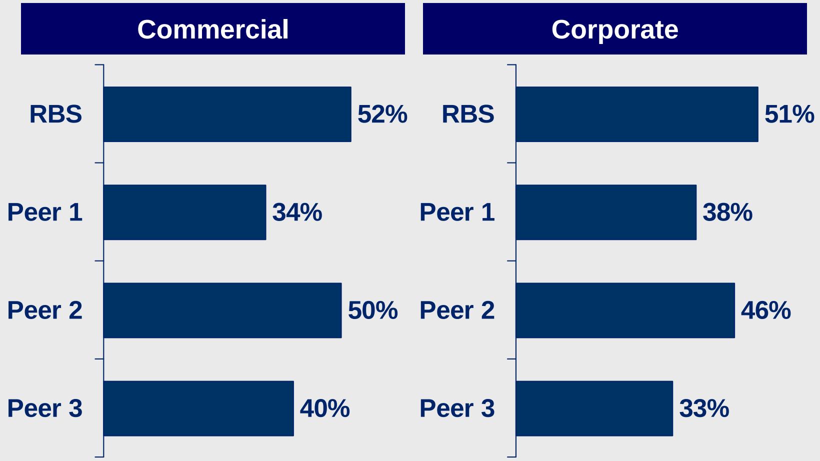
	RBS	Peer 1	Peer 2	Peer 3
ICM / Trade services	✓✓	✓	✗	✓✓
Rates & debt markets	✓✓	✓✓	✓	✓
Asset finance	✓✓	✓✓	✓	✓
Wealth	✓✓	✓✓	✓	✓

Top tier market positions

Share of primary banking relationships (£25m-£1bn), %[1]



Enduring customer satisfaction[3]



Current Position

- Robust franchise with top tier positioning
- Maintained customer loyalty during recent turmoil
- Significant opportunity for cross-sell
- Central to achieving efficiencies across the Group
- Challenges to address:
    - funding gap
    - reduce property concentration
    - development of multi-channel offering
- Market position likely to change to satisfy EU

[1] Source: PH Group, December 2008
[2] Customers categorised by turnover
[3] % of customers responding 'Very Satisfied' November 2008, Source: Ipsos MORI and Illuminas

Current Position – Core Wealth

RBS

Leading player & strong franchise

Coutts	**#1 in HNW banking (UK)**	**71,000 clients**
Adam & Company	**#1 (Scotland)**	**9,000 clients**
RBS Coutts Switzerland	**#10 (Switzerland)**	**28,000 clients**
RBS Coutts Asia	**#13 (Asia)**	**9,000 clients**
RBS International Isle of Man Bank	**#1 (Channel Islands/Isle of Man)**	**172,000 clients**

Sustainable Business Model

- Premium brand – boutique approach supported by group resources
- Exposure to main growth markets – hub and spoke operating model
- Comprehensive Wealth Management solutions
- Established performance management track record

Global Reach & Opportunities

Current Position

- Major deposit provider
- High RoE business
- Good Group connectivity
- Low credit risk
- Strong growth potential
- Challenges to address:
  - reduction in managed assets – due to markets
  - flight to cash and bonds
  - strong competition
  - investment in platform required

Current Position – Core GBM

RBS

Top tier market positions[1]

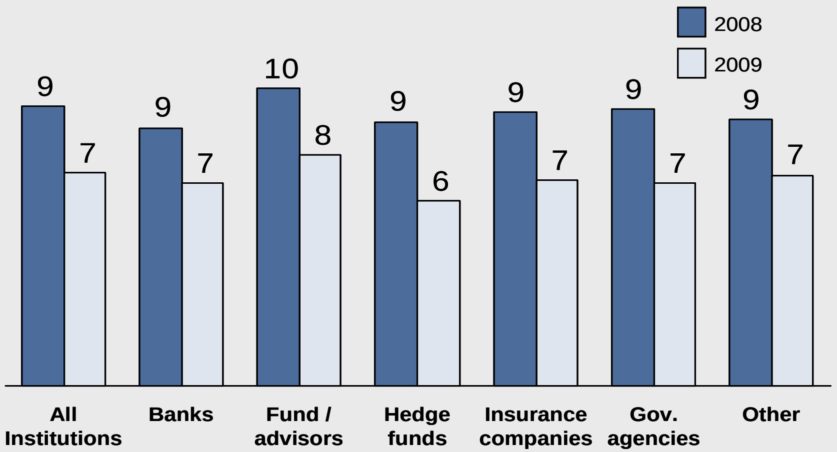
Top 3 / 4–5 / 6–10 / >11

RBS GBM – 2008 position

		Global	UK	EMEA	Americas	APAC
Trading	FX	4	1	4	2	Top 3
	Rates	5	1	Est	5	Est
	Credit trading	6	Est	4	4	9
	Cash equities	>20	10	10	>20	8
	Commodities	4	Est	Est	Est	Est
Origination and lending	Syndicated Loans	3	1	1	5	15
	Debt Capital Markets	5	2	2	10	13
	Equity Capital Markets	10	5	13	>20	10

Fewer competitors

Average Number of FI Dealers Used by Institutional Investors[2]



Enduring customer relationships

Customer Relationship Ranking[3]	UK	Western Europe	USA
Important Relationships	#1	#3	#6
Lead Relationships	#1	#3	#4
Domestic Banking	#1	#6	#9
International Banking	#2	#2	#3

Current Position

- One-third of group in steady state
- Focus on core franchise strengths
- More liquid, less capital intensive businesses, flow trading
- Delivering high quality capital markets solutions to our corporate and FI clients
- Challenges to address:
  - product and customer refocus
  - geographic footprint
  - technology needs
  - staff retention

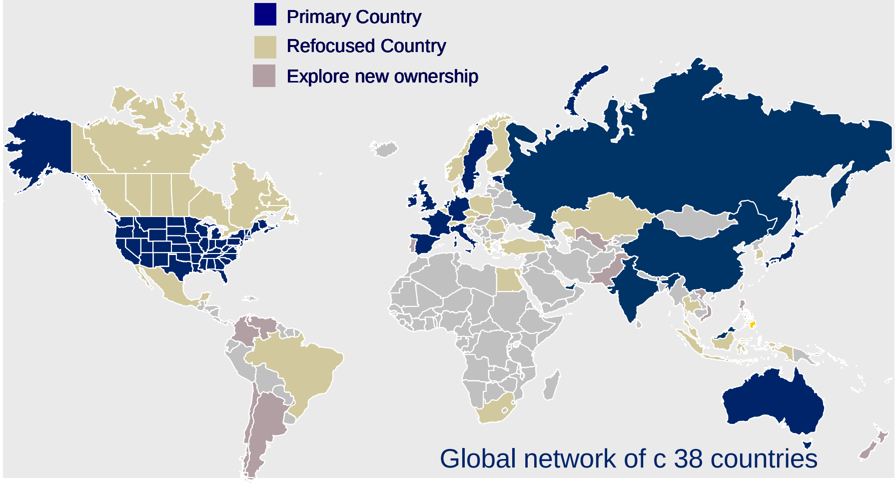
[1] Source: GBM Strategy, Dealogic, Risk Magazine, Euromoney, Coalition, Thomson

[2] Source: Greenwich Associates 2009 US Fixed-Income Investor Study. Based on responses from FI investors

[3] Source: Greenwich Associates 2009

Current Position – Core GTS

Global Network



Global network of c 38 countries

Top tier market positions

	UK	NL	W. Europe[1]	USA	Asia
Overall cash mgt	**1st**	**1st**	**5th**	**10th**	**6th**
Domestic cash mgt	**1st**	**1st**	**n/a**	**16th**	**8th**
International cash mgt	**3rd**	**1st**	**4th (tied)**	**5th**	**5th (tied)**
Trade	**2nd**	**1st**	**7th (tied)**	**5th**	**4th (tied)**

Source: RBS Cash Management Market Share, prepared by Greenwich Associates, June 2009

Strong network business

Breadth	✓	Broad geographic reach Euro, Sterling and Dollar clearing capability
Depth	✓	Possesses 'Best in class' product capabilities and platforms on cash and trade Emerging capability to cross sell network to home markets client base
Clients	✓	Clients require a international footprint to fit business needs, exhibited in RBS' 38 country network
Scale	✓	RBS GTS is the fifth largest transaction services bank by revenue

Current Position

- ABN AMRO network enhanced our franchise
- Key facilitator for Group synergies
- Strong contributor to Group funding profile & high RoE
- Not tied to credit cycle
- Challenges to address:
  - low interest rate environment
  - increased deposit competition
  - technology investment needs are significant

[1] Excludes UK & NL

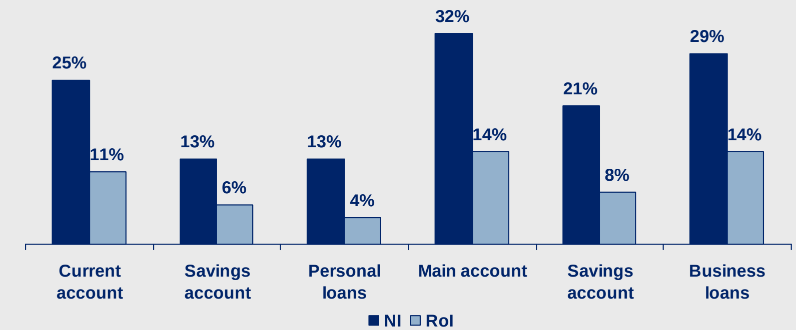
Current Position – Core Ulster Bank

Strong and Growing Franchise

- Strong connectivity between franchises; multi-faceted connectivity to RBS
- 1.9m customers in NI and RoI
- Fully invested, extensive network (Branches 287 and Business Centres 58)
- Highly recognised brand
- Highest levels of customer satisfaction among Irish banks

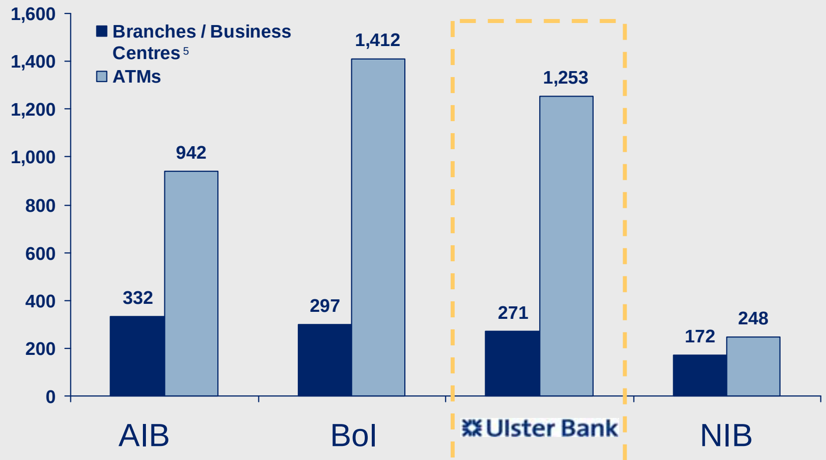
Strong Market Shares[1] across Ireland

Retail[2] | **SME / Corporate[3]**



- # 1 bank in Northern Ireland; # 3 across island of Ireland

Strong Geographical Footprint[4]



Current Position

- Strong franchise
- Established client relationships
- Robust geographic footprint
- Challenges to address:
  - economy
  - funding gap
  - outlook for impairments
  - margin development
  - cost control

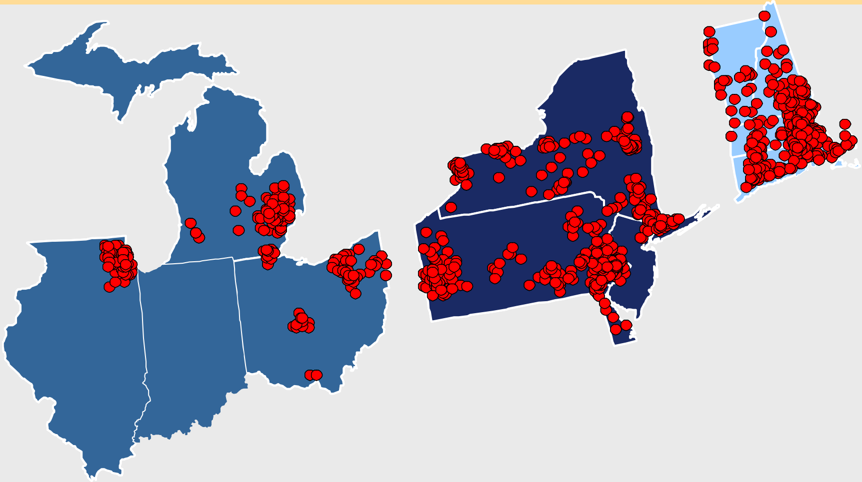
[1] Stock market shares; [2] Q209 MORI; [3] Q408 PWC; [4] Company disclosures & UB analysis

[5] Indicates number of locations; net of co-located branches and business centres

Current Position – Core US R&C

RBS

A focused footprint – deep in chosen regions



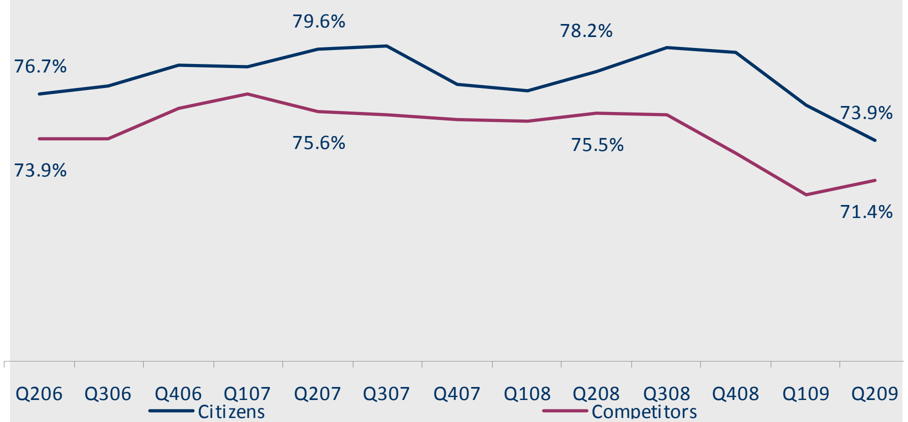
Top tier market positions

Top 5 player in markets in which we operate:

#2 by deposits	(New England)
#3 by deposits	(Pennsylvania)
#1 by branches	(New Hampshire)
#1 by branches	(Rhode Island)
#2 by branches	(Pennsylvania)
#2 commercial lending	(New England)
#5 commercial lending	(Mid Atlantic)

Customer satisfaction metrics[1]

Customer satisfaction (rolling average: Completely/Very Satisfied)



Current Position

- Self-funded
- Attractive market positions in affluent states
- Suitable risk profile
- Deep coverage in chosen footprint
- Challenges to address:
  - outlook for impairments
  - margin improvement
  - lower cost whilst funding business investment

[1] % of customers responding 'completely/very satisfied' when asked 'overall how satisfied are you with your bank', June 2009, Source: Opinion Research

Current Position – Core Insurance

Leading brands

Brand	Product / Channel	Brand recognition[1,2] Percent	Brand recognition[1,2] Position	Consideration[3] Percent	Consideration[3] Position
direct line	Motor	92%	2nd	68%	2nd
	Home	92%	1st	68%	2nd
	Motor	94%	1st	69%	1st
	Home	89%	2nd	69%	1st
Green Flag	Rescue	88%	3rd	49%	3rd
privilege	Motor	66%	12th	53%	11th
NIG	Brokers	10%	3rd	-	-

Highly efficient operation

Comparative combined operating ratios[4]

	Motor personal lines RBS Ins.	Motor personal lines vs. Market	Home personal lines RBS Ins.	Home personal lines vs. Market	Commercial lines RBS Ins.	Commercial lines vs. Market
2006	106%	✗	90%	✓	87%	✓
2007	101%	✓	119%	✓	102%	✓
2008	106%	✓	86%	✓	99%	✓

Strong competitive positioning

RBS Insurance	#2 UK General Insurer #6 European General Insurer
UK Personal	#1 - Personal Lines Insurer (13% share)
UK Commercial	#6 - SME Commercial Insurer (4% share)
International	#2 - Italy direct #3 - Germany direct

Current Position

- Leading market positions
- Successful multi-channel / brand operating model
- Non credit cycle, earnings generator for Group
- Industry leading expense ratio
- Challenges to address:
  - slow market growth
  - aggregator expansion
  - increasing commoditisation
  - personal injury claims

(1) Brand Awareness measured by responses to following question - Which (of a list of) motor insurance providers have you heard of?; (2) NIG recognition based on 'first mention' response amongst Commercial brokers; (3) Consideration is measured by the number of insurance customers who would "definitely", or "are likely to" consider the brand; (4) Combined operating ratio = expense ratio + loss ratio

Source: FSA Returns, Nunwood Consulting, RBS Insurance analysis