Barclays Global Financial Services Conference

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The Royal Bank of Scotland Group

10 September 2012

Important Information

Certain sections in this document contain ‘forward-looking statements’ as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘believes’, ‘should’, ‘intend’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘will’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: the Group’s restructuring plans, including Non-Core and cost reduction plans, divestments, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets (RWAs), return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; discretionary coupon and dividend payments; certain ring-fencing proposals; sustainability targets; the Group’s future financial performance; the level and extent of future impairments and write-downs, including sovereign debt impairments; the protection provided by the Asset Protection Scheme (APS); and the Group’s potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: the global economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on the Group in particular;; the ability to implement strategic plans on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the State Aid restructuring plan; organisational restructuring, including any adverse consequences of a failure to transfer, or delay in transferring, certain business assets and liabilities from RBS N.V. to RBS; the ability to access sufficient sources of liquidity and funding; deteriorations in borrower and counterparty credit quality; litigation and regulatory investigations including investigations relating to the setting of LIBOR and other interest rates; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the United States; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group; ineffective management of capital or changes to capital adequacy or liquidity requirements; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group’s operations) in the United Kingdom, the United States and other countries in which the Group operates or a change in United Kingdom Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the implementation of recommendations made by the Independent Commission on Banking (ICB) and their potential implications; impairments of goodwill; pension fund shortfalls; general operational risks; HM Treasury exercising influence over the operations of the Group; insurance claims; reputational risk; the ability to access the contingent capital arrangements with HM Treasury; the participation of the Group in the APS and the effect of the APS on the Group’s financial and capital position; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group’s activities as a result of HM Treasury’s investment in the Group; and the success of the Group in managing the risks involved in the foregoing.

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

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Agenda

RBSG Vision & Strategy

Financial performance and trends

Resilient franchises

Balance sheet, capital and regulation

Summary and conclusions

Quick reminder - Our objectives and strategy

Objectives

- To **serve customers well**
- To restore the Bank to a **sustainable and conservative risk profile**
- To **rebuild value** for all shareholders

These priorities are interconnected and mutually supporting

Strategy

- The new RBS is built upon **customer-driven businesses** with substantial competitive strengths in their respective markets
- Each unit is being reshaped to provide improved and **enduring performance** and to meet new **external challenges**
- Businesses are managed to **add value in their own right** and to provide a stronger, more balanced and valuable whole through **cross-business linkages**
- In parallel, RBS **legacy risk positions are being worked down** and **risk profile transformed**, in part via Non-Core division

The principles of the RBS plan are working well

A quick reminder – Implementing our strategy

Core Bank
The focus for sustainable value creation

- Built around customer-driven franchises
- Comprehensive business restructuring
- Substantial efficiency and resource changes
- Adapting to future banking climate (regulation, liquidity etc)

Non-Core Bank
The primary driver of risk reduction

- Businesses that do not meet our Strategic Tests, including both stressed and non-stressed assets
- Radical financial restructuring
- Route to balance sheet and funding strength
- Reduction of management stretch

Cross-cutting initiatives

- **Strategic change** from “pursuit of growth”, to “sustainability, stability and customer focus
- **Culture and management change**
- **Fundamental risk “revolution”** (macro, concentrations, management, governance)

Progress to date – key financial metrics

Group – Key performance indicators	Worst point	H112	Medium-term Target
Balance sheet & risk (Group):			
Loan : deposit ratio (net of provisions)	154%[1]	104%	c100%
Short-term wholesale funding[2]	£297bn[3]	£62bn	<10% TPAs
Liquidity portfolio[4]	£90bn[3]	£156bn	>1.5x STWF
Core Tier 1 Capital ratio	4%[5]	11.1%	>10%
Leverage ratio[6]	28.7x[7]	15.6x	<18x
Value drivers (Core):			
Return on Equity (RoE)[9]	(31%)[8]	10.2%	>12%
Cost : income ratio[11]	97%[10]	61%	<55%

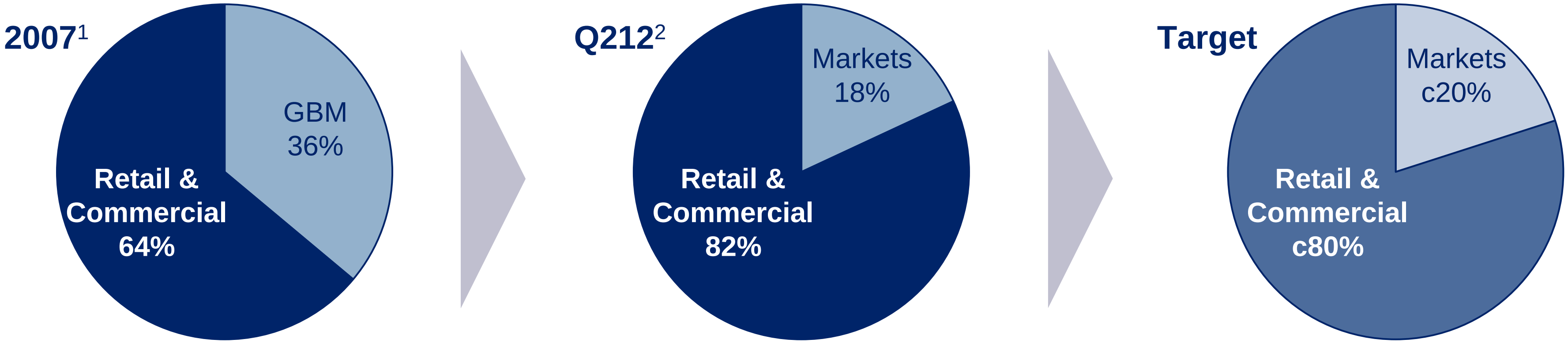
- Strong capital, liquidity and funding metrics
- Prioritising:
  - Safety and soundness of the Group
  - Improvement in LDR, reduction in wholesale funding

[1] As at October 2008 [2] Amount of unsecured wholesale funding under 1 year including bank deposits <1 year excluding derivatives collateral. [3] As of December 2008 [4] Eligible assets held for contingent liquidity purposes including cash, government issued securities and other securities eligible with central banks. [5] As of 1 January 2008. [6] Funded tangible assets divided by Tier 1 Capital. [7] As of June 2008. [8] Group return on tangible equity for 2008 [9] Indicative: Core attributable profit taxed at 28% on attributable core average tangible equity (c75% of Group tangible equity based on RWAs). [10] 2008. [11] Adjusted cost:income ratio net of insurance claims.

Progress to date – business reshaping

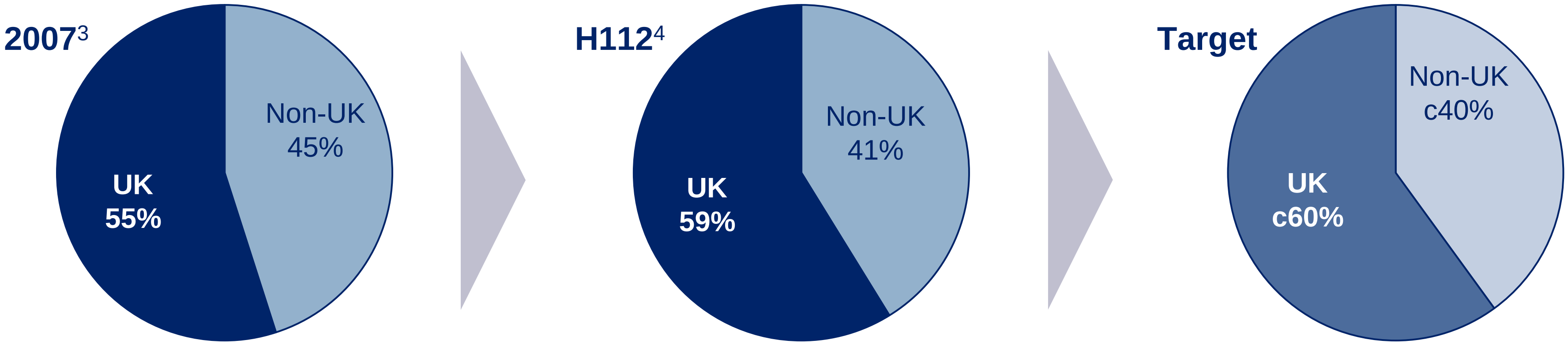
A shift toward Retail & Commercial Banking

Operating Profit by Business Line, %



Attractive mix of UK / Non-UK

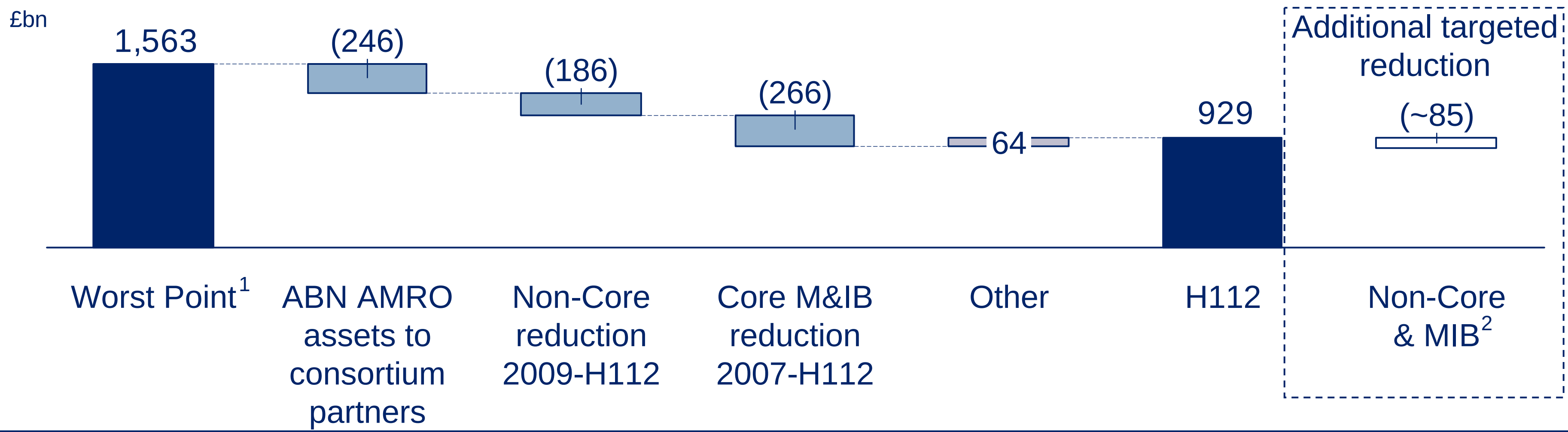
Revenue by Geography, %



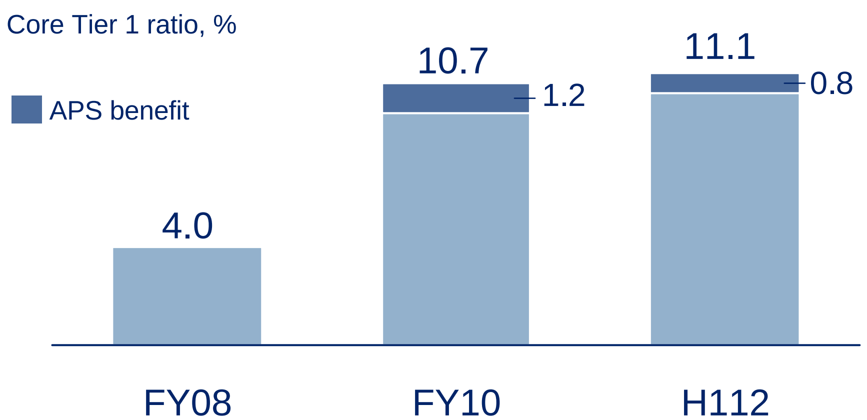
[1] RBS Group. [2] Core business ex Direct Line Group. [3] RBS Group Statutory Revenue ex Insurance. [4] Core Revenue ex Insurance.

Progress to date – more prudent leverage and capital position

Balance sheet reduction already achieved – c.£635bn



Core Tier 1 rebuilt

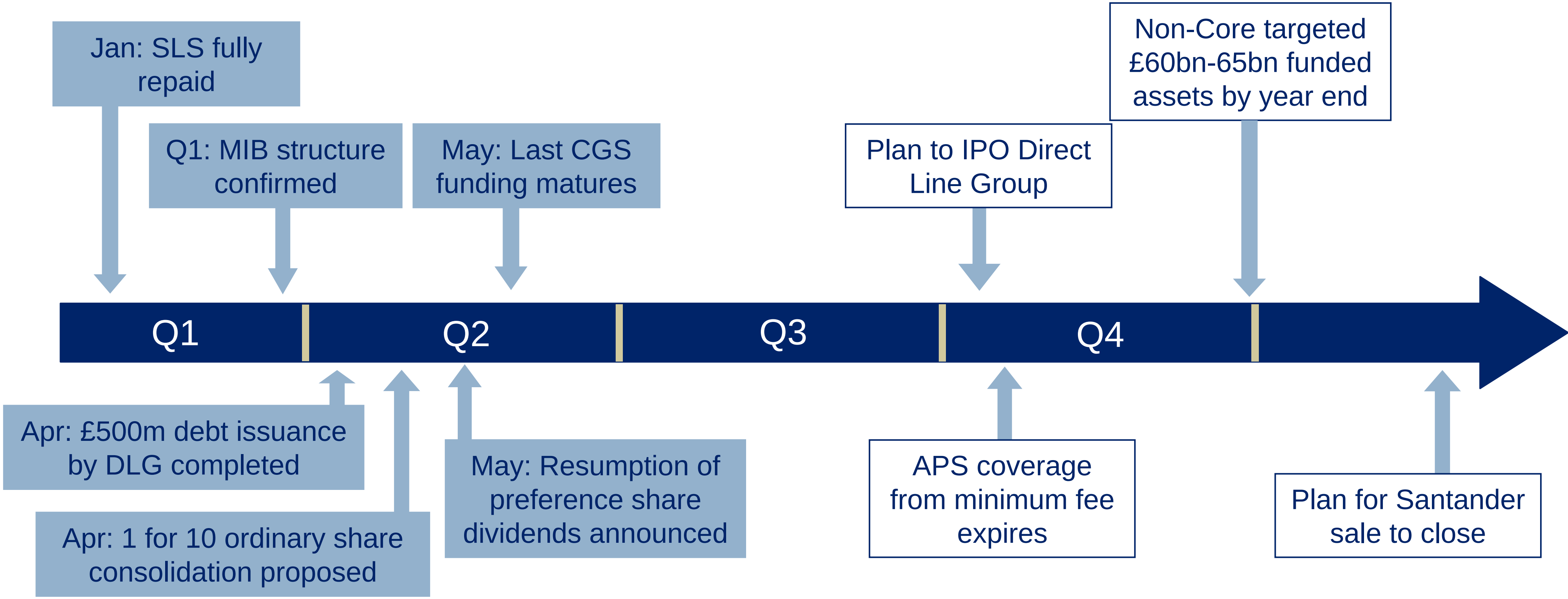


Key points

- Have executed one of the largest deleveragings while maintaining strong capital position
- Non-Core reduction ahead of plan; losses to date lower than expected
- M&IB restructure in anticipation of regulatory change; focused on delivering acceptable returns

[1] Statutory funded assets at 31 December 2007. [2] Includes c£32bn remaining in Non-Core, c. £40bn in Markets and c.£12bn in International Banking.

Key milestones – steps on the road to normality



- Hopeful of FSA approval to exit APS in Q4
- Direct Line Group IPO on track, markets permitting
- Branch sale to Santander complex, now re-planning for 2013

Completed

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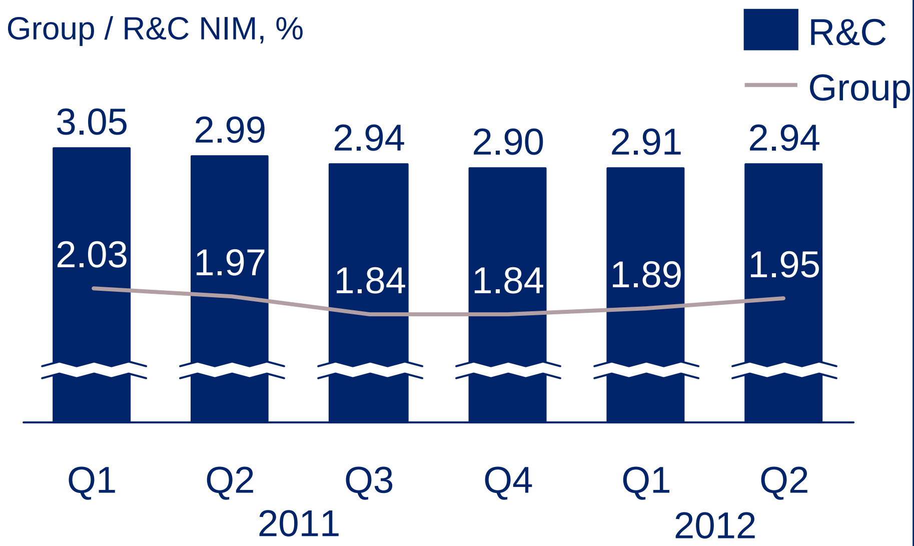
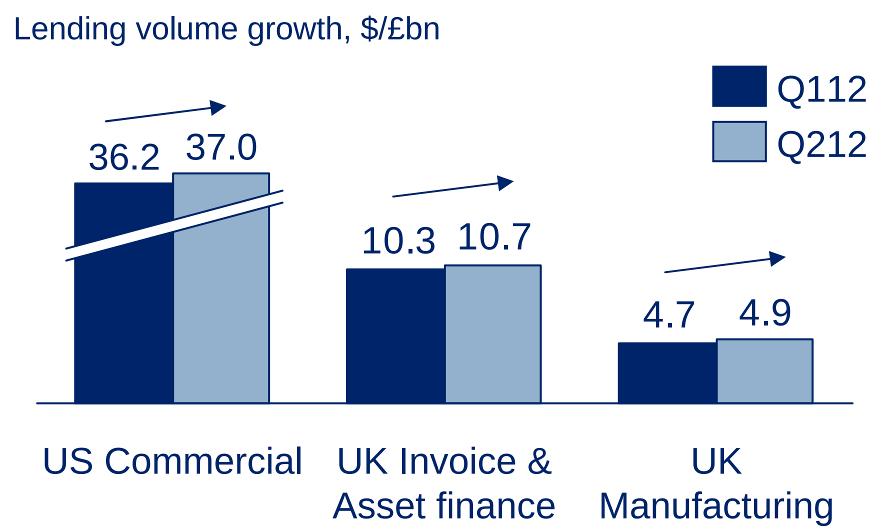
- Summary and conclusions

Group revenues - managing the headwinds

Signs of NIM stabilisation….



… with pockets of volume growth…

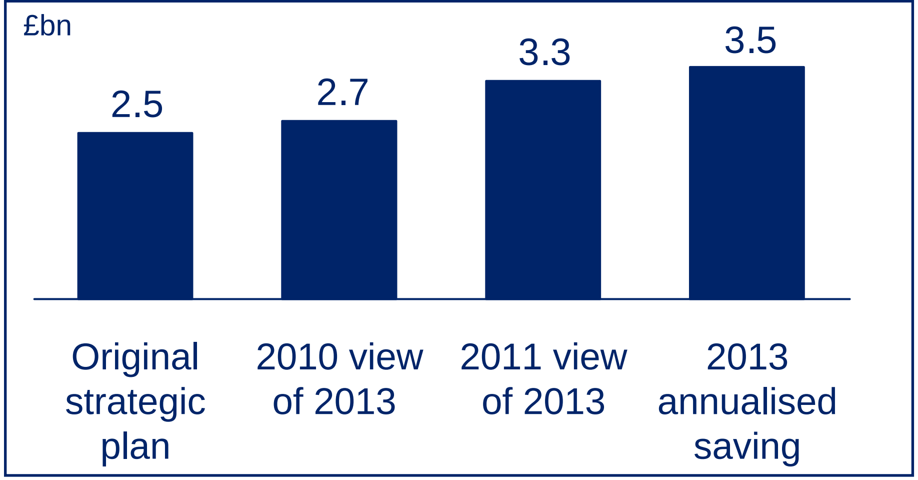


Combined with revenue initiatives to leverage the Group

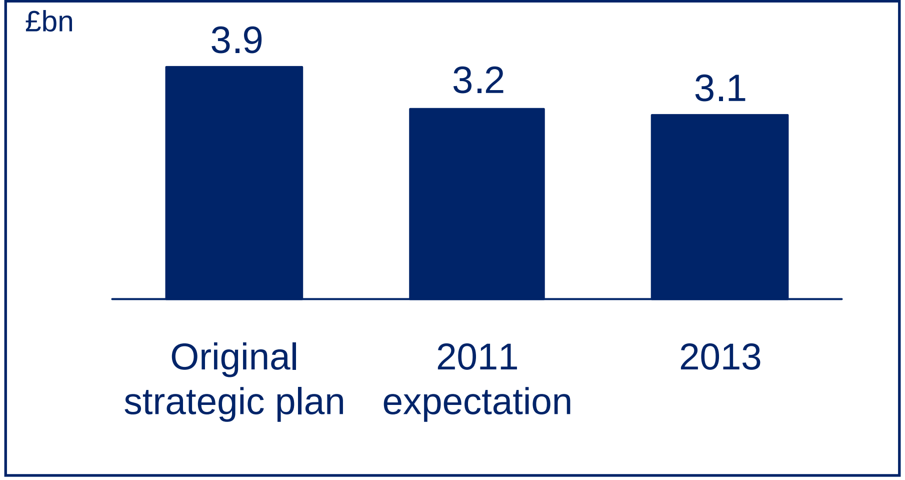
- Focus on greater cross-sell across the R&C customer base
- Reducing higher cost funding to support NIM
- New Wealth sales platform in situ to deliver more tailored products and service
- Enhanced product suite access for International Banking clients
- UK Retail product simplification, effective pricing, increased mobile banking products

Costs - reduction programme continues

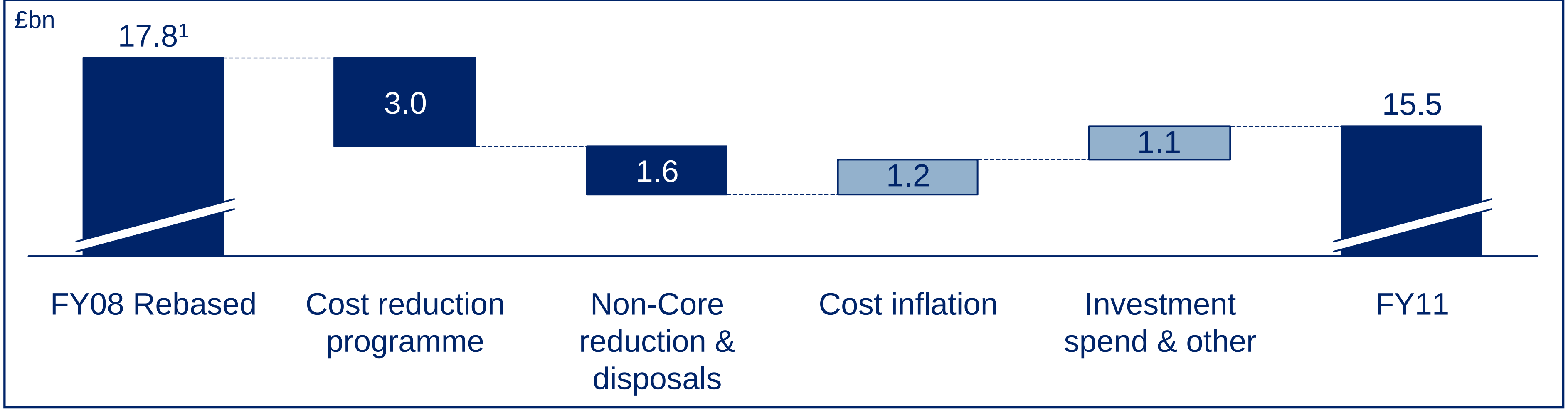
Greater annualised cost savings…



… and lower cost of programme implementation



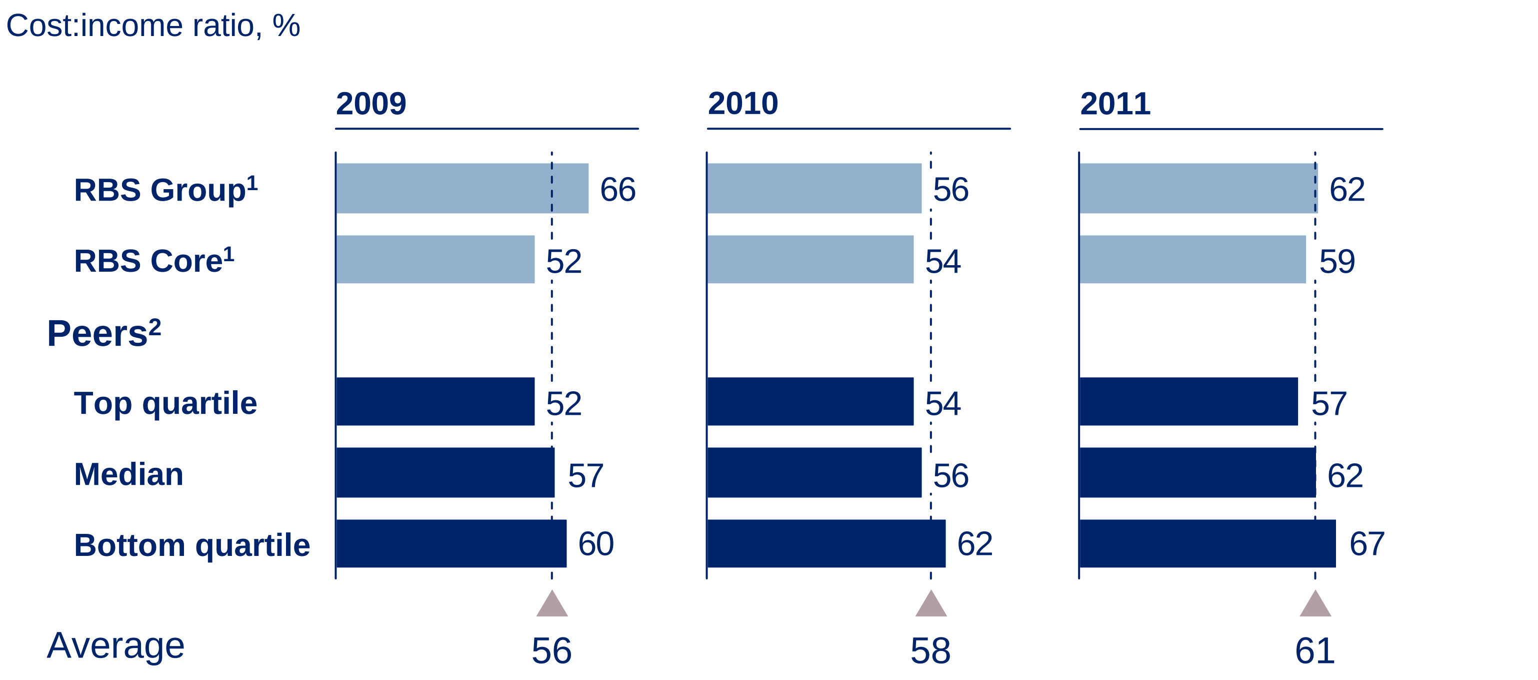
Cost evolution, 2008 – 2011



[1] Excluding non-repeating credits

Costs – a comparatively efficient base

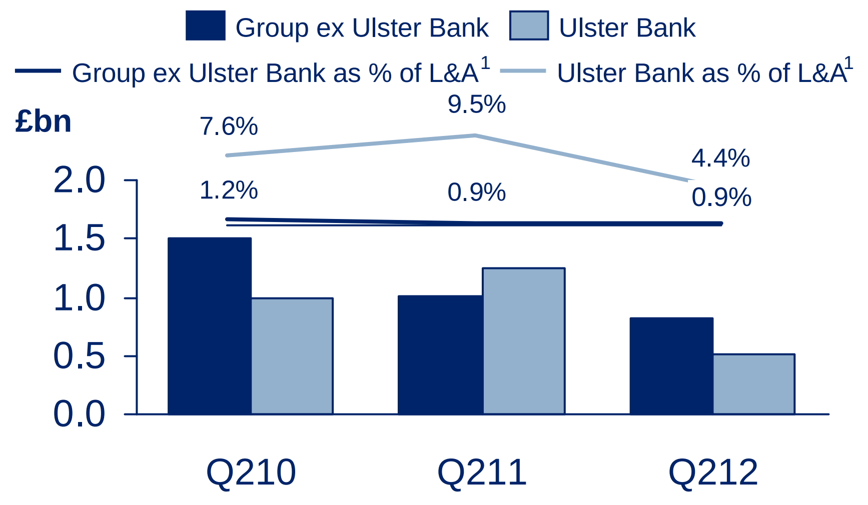
RBS cost:income ratio versus peers



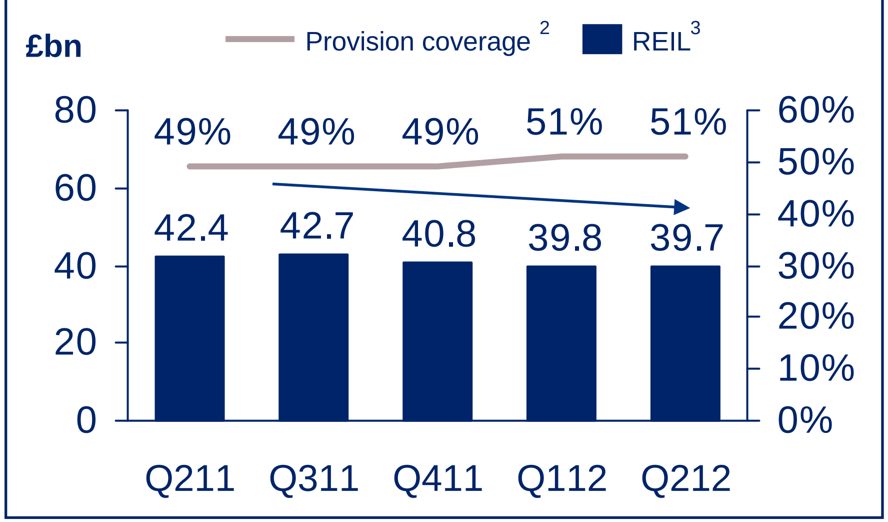
[1] Excluding Direct Line Group. [2] Peer group adjusted for exceptional items. Peer banks include Barclays, Lloyds Banking Group, HSBC, SocGen, BNP Paribas, UniCredit, Citi, JP Morgan Chase & Co, Santander, Bank of America, Deutsche Bank and Wells Fargo.

Credit metrics – continuing to improve

Impairments ex Ireland down 45%



Group coverage levels continue to increase

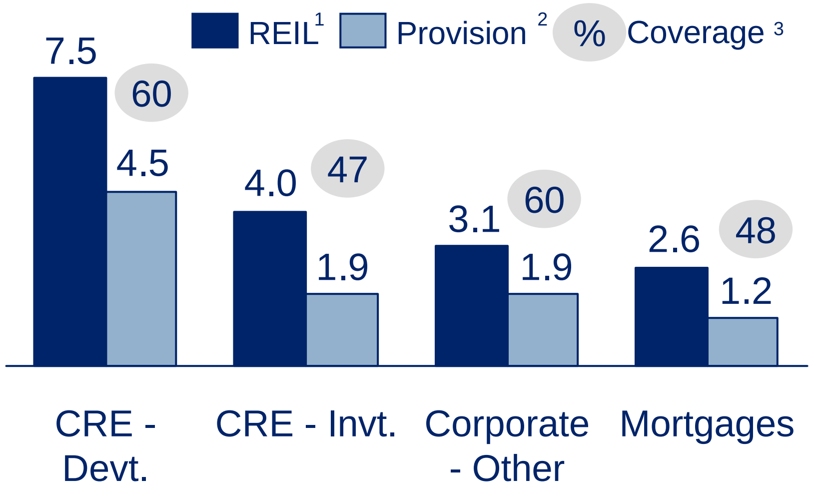


- Group impairments ex Ulster Bank down 45%; trending to normalised levels
- Irish impairments remain elevated; cautious on outlook
- Group provision levels continue to increase while non-performing loans fall

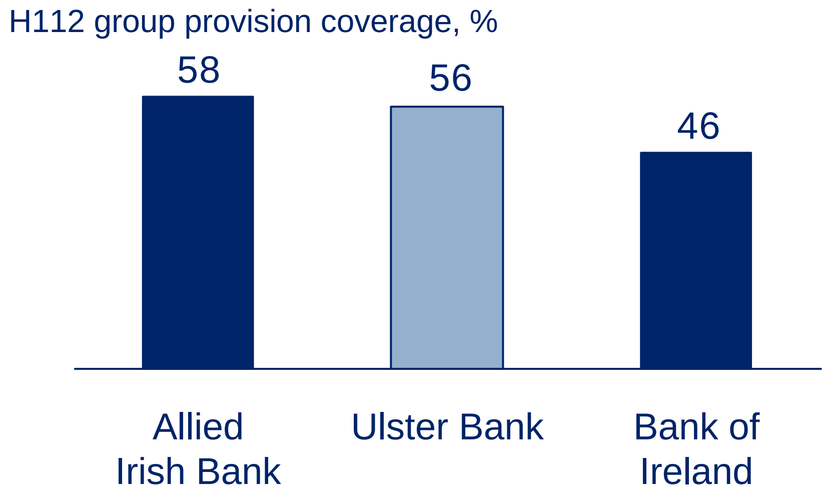
[1] Gross loans to customers excluding reverse repos, including disposal groups. [2] Provision balance as a percentage of REIL. [3] REIL = Risk elements in lending.

Credit metrics – Ulster Bank is appropriately provisioned

Ulster Bank non-performing loans are appropriately covered



And in line with comparative peers



- Ulster Bank Group provision coverage of 56%; 53% Core, 57% Non-Core
- Coverage level in line with closest peers
- Most stressed book – CRE development – provisioned at 60%
- Expect further rise in REILs, remain cautious on outlook

[1] REIL = Risk elements in lending. [2] Balance sheet provision against exposure. [3] Provision balance as a percentage of REIL.

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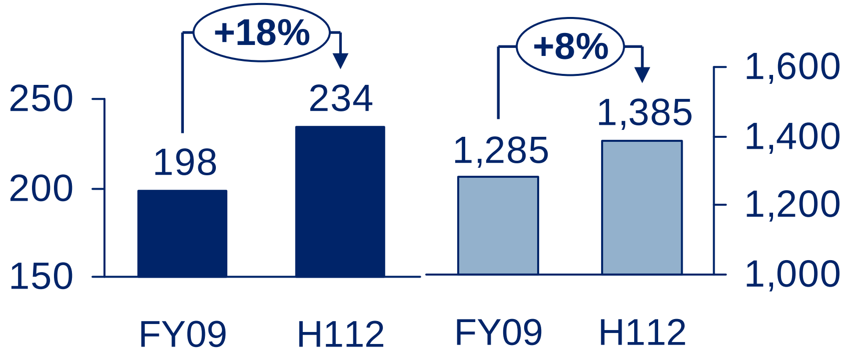
UK Businesses - market leading franchises

Growing UK deposit balances

RBS UK Retail & UK Corporate combined customer deposits (£bn) | **UK Market[1] household & corporate deposits (£bn)**

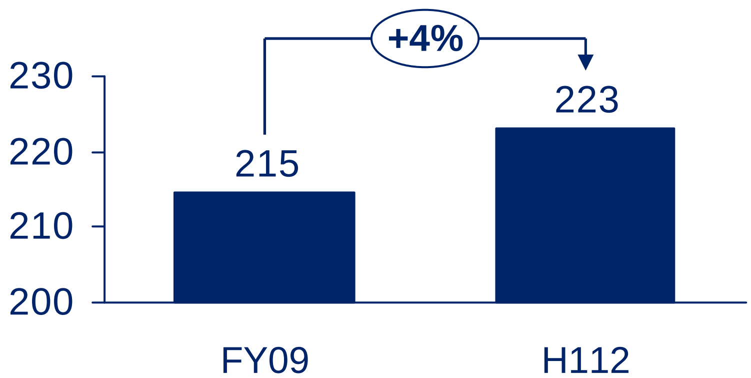


Good blended RoE currently

	H1'12 RoE
UK Retail	23.5%
UK Corporate	16.5%
Blended UK R&C	*19.2%*

Increased lending to UK customers

UK Retail & UK Corporate combined gross L&A (£bn)



Driven by market leading franchises

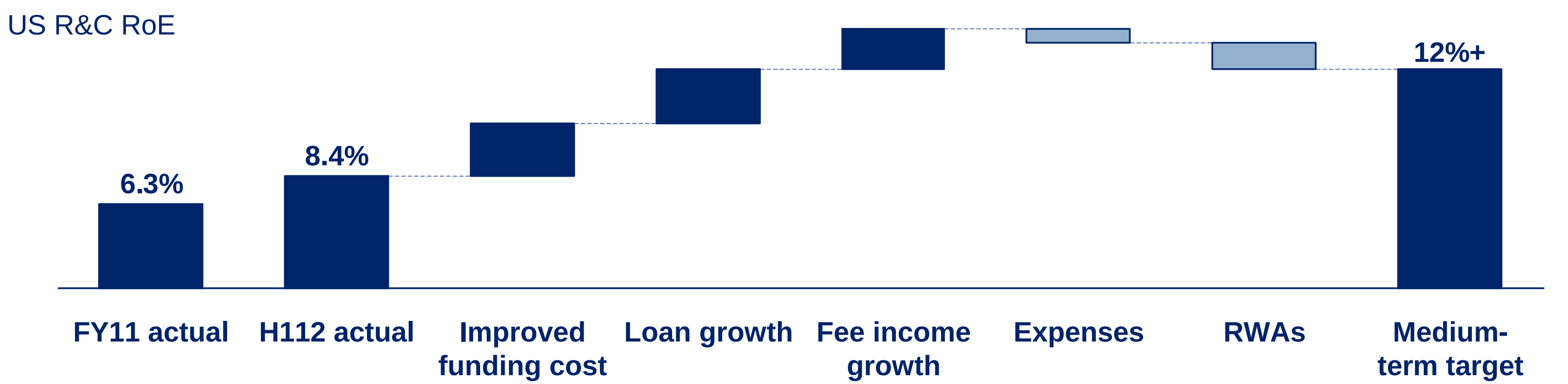
UK Retail:
- #2[2] for UK Current Accounts
- 11.7m[3] savings accounts
- 11%[4] mortgage market share

UK Corporate:
- #1[5] SME Bank
- #1[6] Corporate Bank
- c1.2m[3] customers

[1] Source: Bank of England, includes UK Private Non-Financial Corporate and UK Household deposits held. [2] GfK NOP Financial Research Survey (FRS) 6 months ending January 2012, market share of all current accounts, 28,811 adults interviewed, UK Retail includes RBS, NatWest and Coutts. [3] June 2012. [4] H112 new business market share. Stock share 8%. [5] RBSG 26% main bank market share. Chaterhouse Business Banking Survey YEQ4 2011; based on 16,613 interviews with businesses in Great Britain turning over up to £25m pa. [6] pH Group (Experian).

US R&C – a valuable franchise

Earnings rebound continues – targeting 12%+ RoE



A compelling franchise

- 12th largest bank in the US; extensive Branch, ATM, online, and mobile networks
- Self funded with strong asset quality, credit ratings and capital ratios
- Key contributor to Group's geographic and business mix diversity
- Experienced leadership team embedded
- Capable of strong cash and capital generation

Focused delivery on strategic priorities

- Significant progress in rebalancing Consumer / Commercial Banking mix
- Investment in franchise to deepen value proposition and customer relationships
- Improving NIM from pricing and strategic restructuring
- Cost discipline engrained, walk to 60% cost / income ratio established

[1] Source JP Morgan, as at 17/08/12.

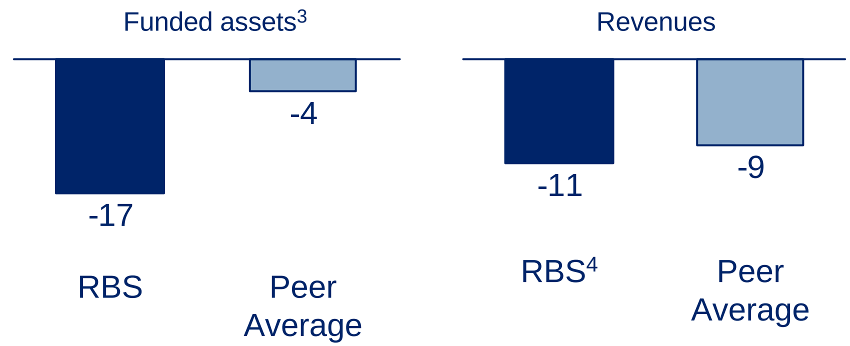
Wholesale Banking - restructure update

Business restructure

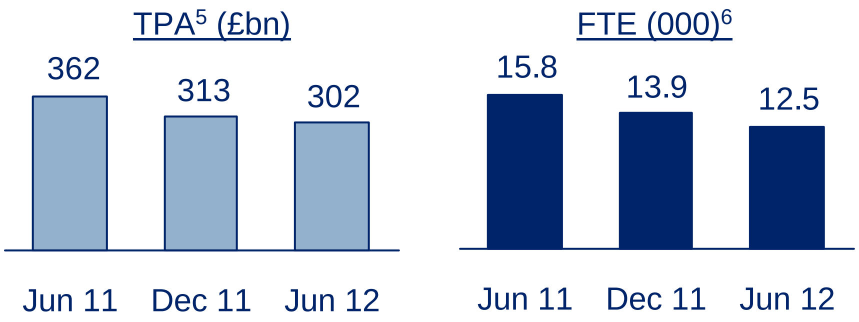
- Pro-active response to market developments / headwinds
- Reduce asset and capital usage to improve balance sheet strength, funding profile and RoE
- Focus on strongest businesses and exit loss-makers
- Seek cost synergies
- Enhance connectivity with other divisions
- **Executing well across all elements**

Resilient trading performance, in line with peers[2]

% Change H112 vs H111

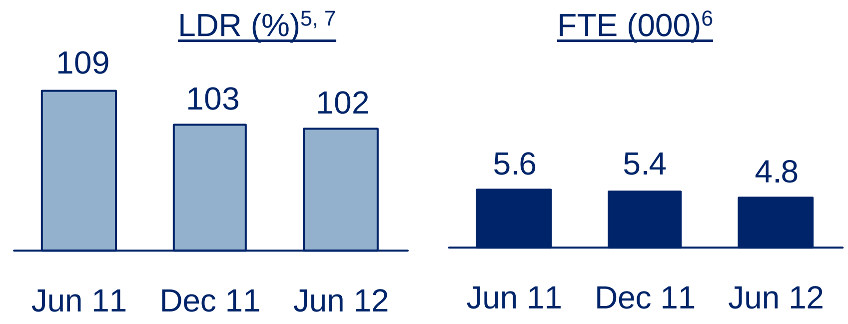


Markets resource management



- Third party assets down 17% y-o-y
- FTE reductions across ongoing businesses. Further reductions expected in H212, mostly in Support

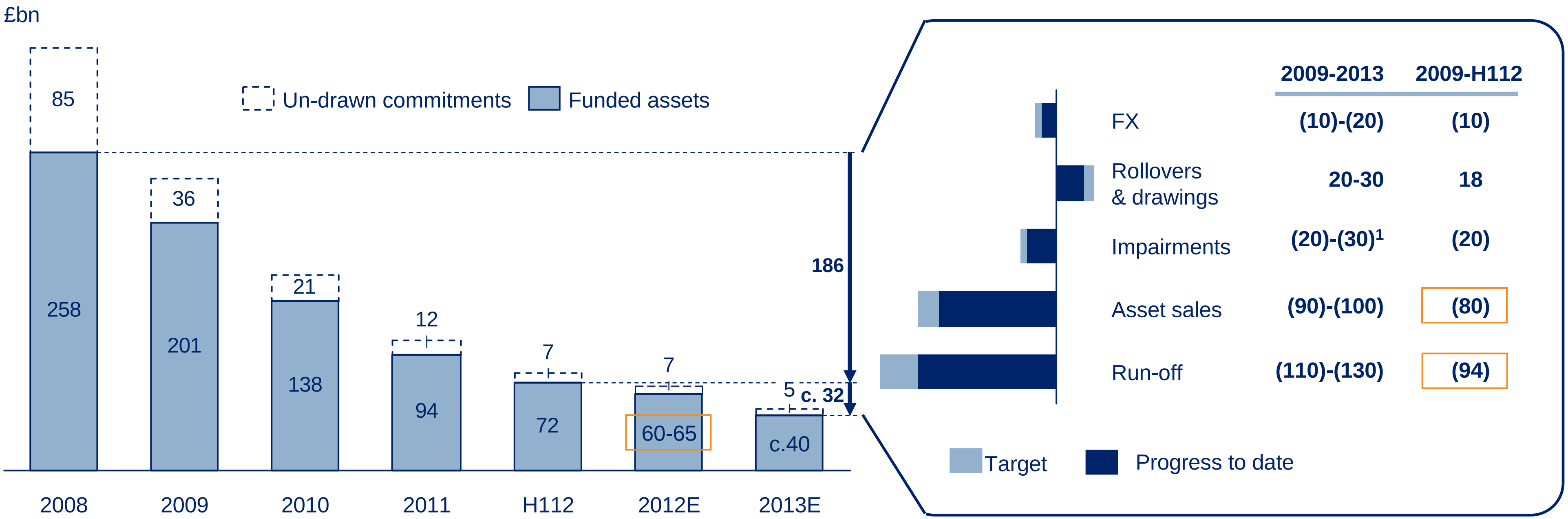
IB resource management



- Balance sheet discipline – down 23% y-o-y
- Self-funded business
- Simpler operating model driving FTE reductions across Front Office and Support

[1] Cash Equities, Corporate Finance and ECM. [2] RBS figures based on Markets, peer average includes Barclays, BOAML, Credit Suisse and UBS; RBS estimates. [3] Funded assets excluding derivatives. [4] Excluding run-off
[5] Third party assets. Ongoing businesses only. [6] Full time equivalents. [7] Loan : Deposit ratio excluding repos and conduits.

Non-Core assets - good progress in reduction

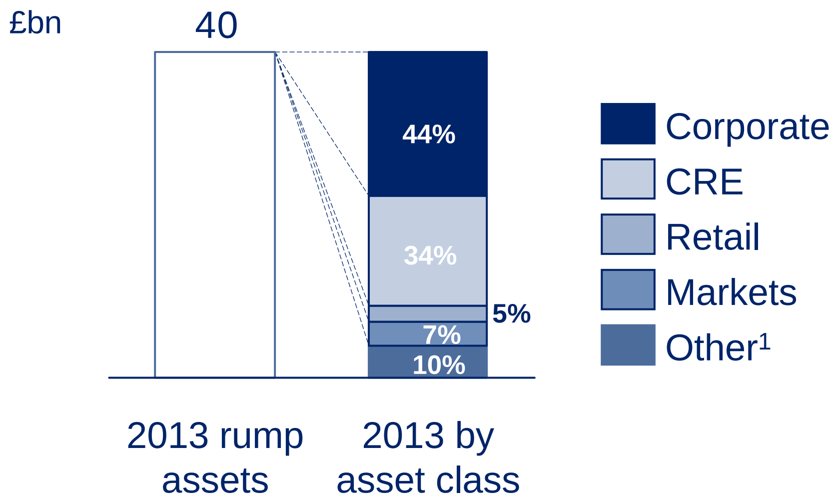


- Funded asset reduction continues apace, down 72% (£186bn) since inception
- Revised year end funded asset target lower, to £60bn-65bn
- Impairments continue to trend to bottom of guidance range
- Disposals have been capital accretive to date

[1] Excludes FY08 impairments.

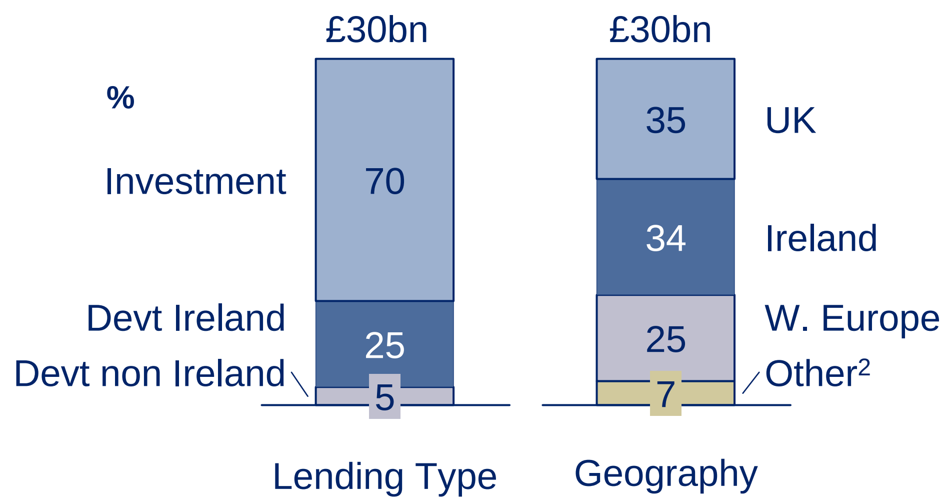
Non-Core – 2013 'rump' make-up

2013 rump of c.£40bn TPAs is forecast



- 2013 Non-Core 'rump' estimated at c.£40bn, including:
  - Corporate and other assets of low yield but generally good credit quality
  - CRE of c.£15bn, c.60-65% in longer-term work-out
- Natural run-off pace for rump is c.50% by 2016

CRE portfolio make-up, H112



- H1 2012 CRE portfolio attributes:
  - Exposure dominated by Investment lending
  - 50% of book classed as REIL, provisioned at 45%
  - Ulster Bank Development provisioned at 60%
  - Well balanced by geography; 2/3 non-Ireland, UK biased to London and South-East

[1] includes SME lending. [2] Includes US and RoW.

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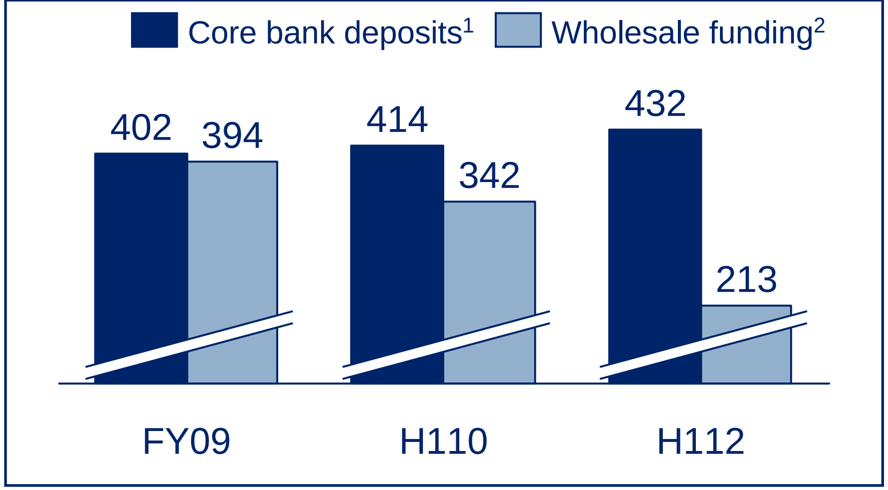
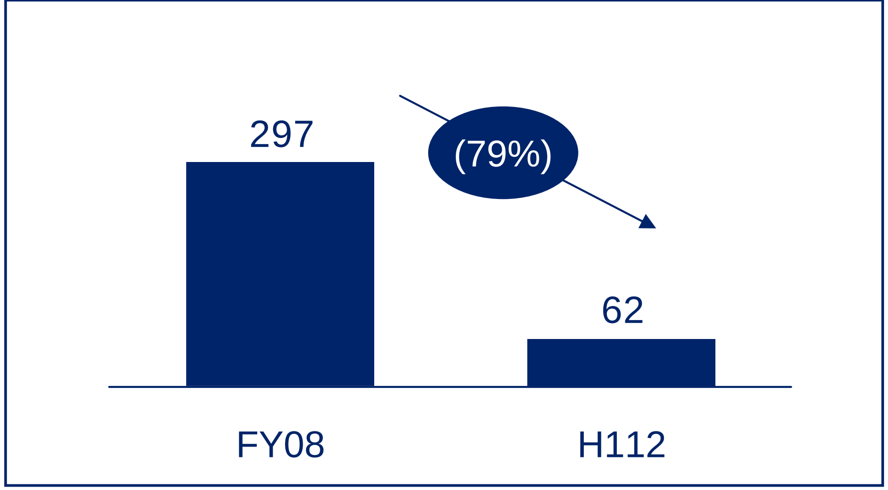
Balance sheet – significant improvement

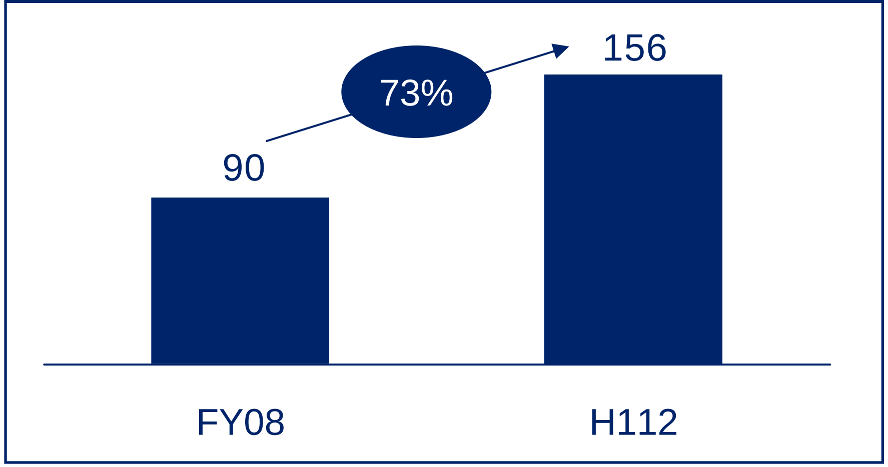
Deposits vs. wholesale funding, £bn



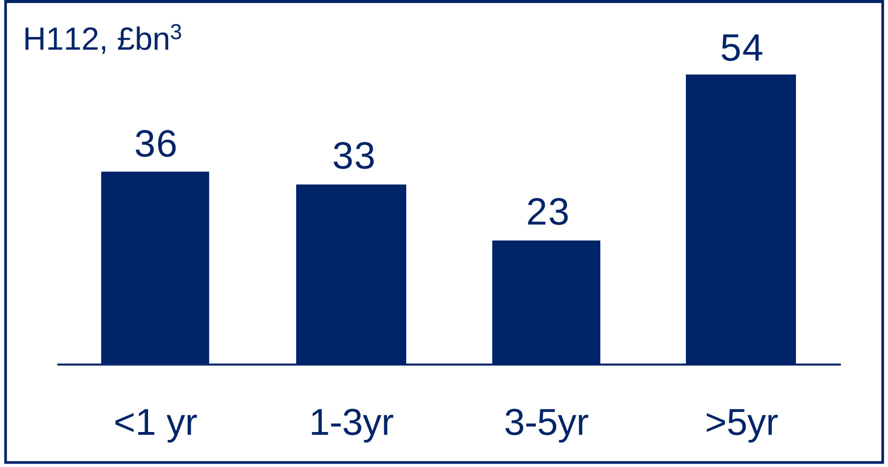
Short-term wholesale funding reduced by £235bn



Liquidity portfolio bolstered, £bn



Term wholesale funding maturities

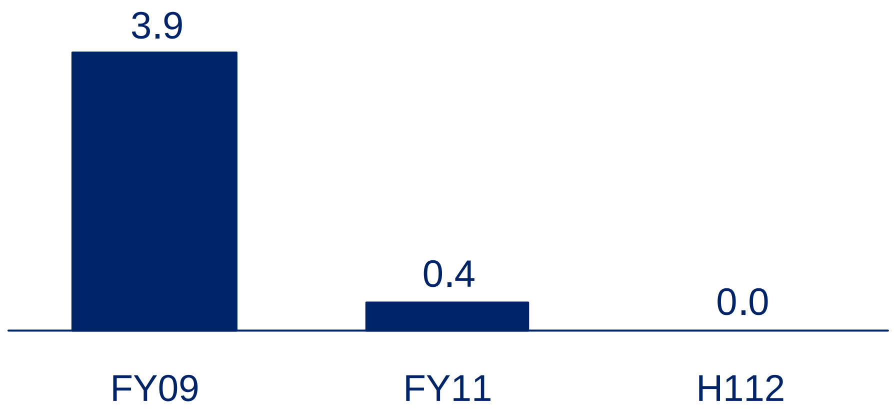


[1] Excludes Non-Core deposits, repurchase agreements and stock lending. [2] Excludes repurchase agreements, includes subordinated liabilities. [3] Debt securities and subordinated liabilities excluding bank deposits and repurchase agreements.

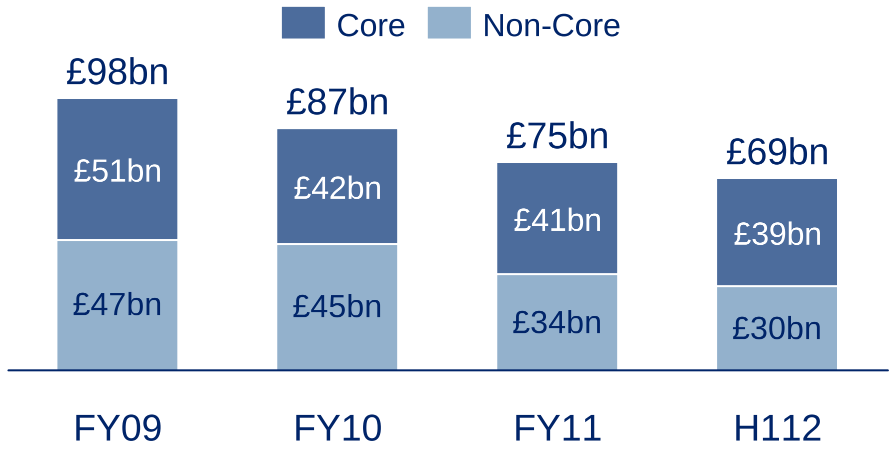
The Group's risk profile is significantly better

De minimis peripheral government bond exposure

Peripheral government bond exposure, £bn

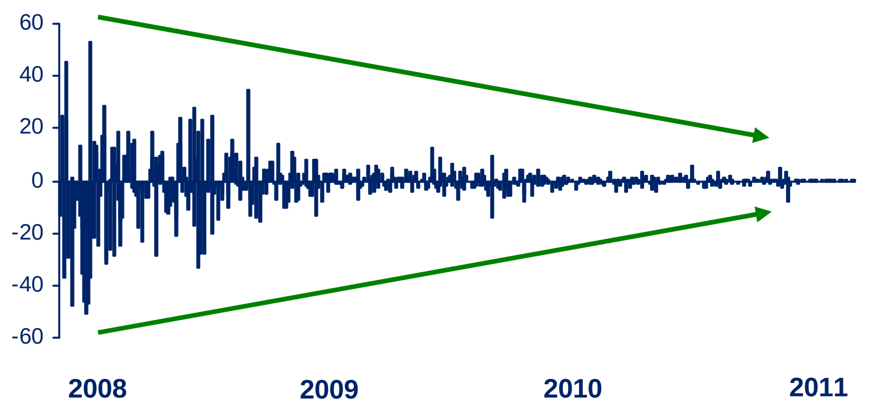


Commercial Real Estate Exposure[2]



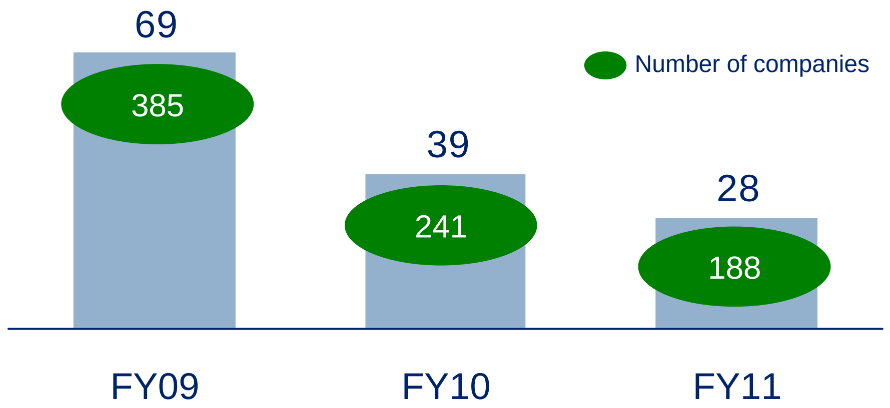
Non-Core market risk greatly reduced

Exotic Credit Book Daily P&L Moves, £m



Single name credit concentrations

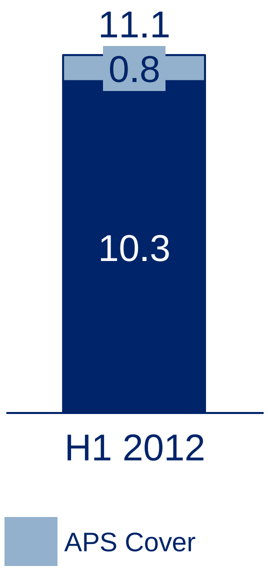
Corporate SNC Exposures Over Risk Appetite[3], £bn



[1] Wholesale funding < 1 year to maturity excluding derivatives collateral. [2] Lending excluding RRM and contingent obligations. Data shown as published at each period. [3] Data collection methodology pre 2012.

The capital journey

RWAs / Capital Management



Headwinds

- Credit model changes
- Basel III/CRD IV
- Reduction in / removal of APS cover

Mitigation / Tailwinds

- Non-Core run-down
- Restructure of Markets business
- Earnings generation

- Targeting year end 2012 & 2013 CT1 at 10% or above post APS exit and regulatory impacts
- Currently estimating fully loaded Basel 3 CT1 at 31 December 2013 of 9.0-9.5%

Regulation and Challenges

Regulation	Status	RBS Actions
CRE Slotting	■ FSA revised industry guidance published ■ RWA uplift of c.£20bn by end ’13	■ In process of implementing changes ■ c.£10bn RWA impact likely in 2012 ■ c.£5bn already taken
ICB	■ Further clarity from White Paper ■ Flexibility incrementally positive	■ Final report and legislative detail still to come ■ Working towards full implementation by 2019
Basel III / CRD IV	■ Initial implementation seems likely to be delayed	■ Awaiting confirmation of implementation date ■ Mitigating actions underway
Industry-wide Conduct	■ Industry investigation ongoing into SME swaps mis-selling/LIBOR setting	■ Co-operating with relevant authorities on LIBOR ■ SME swaps: — Reached agreement on approach with FSA — Independent review process starting — £50m provision taken in H112

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External	■ Economic and market backdrop likely to remain challenging for some time, keeping customer activity subdued ■ But the factors necessary for economic recovery are being addressed ■ Regulatory change remains intense, the end state is clarifying, although key uncertainties remain
RBS Progress	■ RBS change and recovery programme has made substantial progress ■ The 'safety and soundness' agenda continues to go well ■ Core businesses are resilient, gathering underlying strength, but remain economy dependent ■ H2 APS exit and Direct Line Group IPO the next milestones

Questions?