**Bruce Van Saun, Group Finance Director, The Royal Bank of Scotland Group**
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Good morning, it is a pleasure to be here with you today.

First let me flash our cautionary language which you should read at your convenience. Today, I will open up by recapping our vision and strategy. I'll then review our recent financial performance and trends. I'll talk a little about the quality of our key franchises. I'll cover off our balance sheet, and offer some observations on regulatory developments. I'll then wrap up with a few concluding remarks before opening it up to Q&A.

Let me start off with a brief summary of our recovery plan which was initiated in 2009. The plan rests on 3 foundation objectives: Namely;

- to serve our customers well
- to restore an appropriate risk profile
- and to rebuild shareholder value.

These priorities are interconnected and mutually supportive. The better we do on each, the stronger the Group.

Our strategy is based upon strong customer-driven franchises delivering attractive and sustainable returns in the context of today's external challenges. Each one of our Core businesses must be attractive in their own right as well as having valuable cross-business linkages, such as shared infrastructure, expertise and customers.

Underpinning all of this, we are transforming our risk profile, paced by the run-off of the Non-Core division. Bottom line: three years in, our plan is working well.

To implement our strategy we've separated the Group into Core and Non-Core segments, with our Core franchise focused on value creation and Non-Core focused on risk reduction. Importantly we have several initiatives around culture and risk which extend across the whole Group.

We have made good progress towards our 2013 targets. The loan:deposit ratio for the Group has fallen to 104% and Core to 92%, well ahead of plan. We are tracking well to our Group target of 100%. Our short-term funding has been reduced by over two thirds, and we've significantly increased the liquidity portfolio, which now represents 2.5x our short-term wholesale funding requirement, up from only 0.3x times in 2008. Our core Tier 1 capital ratio remains strong, at 11.1%. The improved capital position, combined with our asset reduction has seen our leverage ratio almost halve over the last 3 years. We are now comfortably below our medium-term goal of 18x.

This prioritisation of our safety and soundness agenda has some cost to the P&L. Nonetheless, our Core ROE for the first half was 10%; excluding Ulster, this was 13%.

Our plan places greater emphasis on our Retail & Commercial businesses as the major driver of earnings going forward. We are targeting an 80/20 R&C versus Market split of operating profit. We believe this will result in a more stable business performance, which will be more highly valued by investors and ratings agencies over time.

We remain committed to our Markets business given the importance of its products to our customers, but we will be a focused competitor targeting solid returns. We also feel that our balance of UK/Non UK revenue sources is about right, offering good diversification to a strong local market position.

The deleveraging of our balance sheet is one of the most dramatic on record. Non-Core and the MIB have driven the reduction to date. There's still a bit more to go, however. We target a further £85 billion of asset reduction by the end of 2013. Importantly, throughout this restructuring process we have been able to shrink the Group while sustaining a strong capital base.

2012 has been a big year for us in terms of milestones on our journey to stand alone strength. Our first half milestones were all met. We are working with the FSA to secure agreement on the exit from APS, and at this advanced stage are optimistic. We have made good progress in separating Direct Line Group, and the business is performing well. The IPO appears on track at this point.

The one that will slip into 2013 is the branch sale to Santander. This is proving to be a more complex undertaking than initially planned, and we are taking great care to ensure a smooth transition for customers.

Let's turn to look at recent financial performance and trends in more detail. Revenues are clearly challenged in the current operating environment.
However we are encouraged to see signs of stabilisation within both our Retail & Commercial and Group NIM. We are working hard to reduce our higher cost funding as our balance sheet shrinks. This is an area of focus that is showing some benefit.

Given that our customers, UK and US households and corporates, continue the slow and difficult deleveraging process, it has been hard to grow our loan book. That said, we are seeing selective areas of growth, hopefully some 'green shoots' that will pick up as the broader economy recovers. We also have many revenue initiatives in place across our various businesses, such as increasing cross-sell across our customer base and investing in our Core customer proposition.

As we shrink the Group's balance sheet and operations, we've maintained a relentless focus on reducing our cost base. To date our cost reduction program has delivered over £3 billion of savings, while Non-Core and Divestments have delivered another £1.6 billion of expense reduction. Working against us have been inflation, investment & regulatory spend, and other programs to support and strengthen our Core Franchises. Despite these outlays absolute costs are down 12% since the beginning of the Plan.

We stack up well to peers given this tight management of our P&L. Looking at the Cost to Income ratio, RBS Core has maintained performance of around first quartile when comparing with a broad peer group across the UK, EU and US.

Impairments have been trending well overall in spite of the situation in Ireland and lower than expected economic growth, and our leading indicators remain positive, as REILs have fallen for the past three quarters and we continue to show stronger provision coverage.

With respect to Ireland, Ulster's provision levels have been substantially built, and are in line with our key peers. The CRE development book in Non-Core has been largely provided for and is now in long-term work-out mode. However, REILs in Core, particularly mortgages, have continued to rise. We continue to be cautious with respect to the second half outlook, it looks like improvement will be gradual from here.

Underlying our steady performance are some very strong and resilient franchises. Clearly our UK Retail & Commercial business remains the cornerstone of the Group. These are powerful deposit taking franchises, up over £35 billion in two and a half years, which is well ahead of peers; And UK loans are up £8bn despite the soft economy. Taken together these businesses generate a blended ROE of 19%, substantially above our cost of equity.

Furthermore, we believe there is additional upside to these franchises when economic recovery takes hold. The improvement will be driven by volume increases, higher liability margin from rate rises and further impairment declines from a strengthening economy. Our market share and positioning are strong across the board, and we are investing heavily in these businesses to both serve our customers better and enhance our capabilities.

US R&C has moved from loss making to profitability, with a H1'12 ROE of around 8%. There is more to do here, but the path ahead is clear given a stable NIM, deepening customer relationships and selective loan growth. So bottom line, this is an attractive franchise that can continue to deliver improving returns for us.

The combination of slower economic recovery, lower customer activity and the changing regulatory environment led us to make some hard decisions around our Wholesale businesses. Our updated strategy lowered asset and capital usage to improve balance sheet strength, funding profile and RoE.

In terms of progress, so far, so good. We've been able to meet all our restructuring targets in the Markets business while delivering a 14% first half ROE. Markets Q2 revenues declined 9% year on year and 39% quarter on quarter, in line with our peer group in spite of the decrease in our balance sheet.

International Banking is also tracking to its restructuring plan, pulling through its expense synergies while steadily reducing balance sheet consumption.

We continue to maintain good progress in the run-down of Non-Core. In the first half funded assets were £72 billion, a year to date decline of £22 billion. In Q2, funded assets declined by £11 billion - including £7 billion of disposals and £4 billion of run-off. We remain comfortable with our full year 2013 target of £40 billion, and our pipeline remains filled with many small transactions. Given where we are, we have revised our full year 2012 funded asset target £5 billion lower to £60 - £65 billion.

Our Plan estimates a 2013 'rump' of about £40bn. The majority will comprise corporate and other assets with low yields but generally good credit quality. About a third will be CRE, of which 60-65% will be longer-term work-outs with good provision coverage. We expect that natural run-off will reduce the £40 billion 'rump' by about half over 2014-2016. Our view continues to be that run-down going forward will be capital accretive, assuming reasonable economic scenarios.

Next, let's look at our balance sheet progress and developments in the regulatory space. This slide highlights the fundamental improvement to our funding and liquidity position. Deposits are up £30bn, or 7% since 2009, while wholesale funding is down around £180 billion, or 46%. Short term funding is down £235bn or 79%, while the liquidity portfolio is up by £66 billion. Our debt profile is well-balanced, and we will continue to fine tune this with actions such as the debt buy back tender we announced last Wednesday.

A further aspect to our balance sheet improvement is less risk on the asset side of our balance sheet. Our exposure to government bonds issued by the 'peripheral' Eurozone countries now nets to zero. We've also reduced our CRE exposure by 30% in 3 years, while the volatility of the Non-Core exotic trading book has seen a steep decline in VAR and daily P&L moves. Credit risk concentrations have also declined, as illustrated here by the 60% fall in single name credit concentrations in the Corporate loan book.

On capital our target is to maintain the Group's Core Tier 1 ratio above 10% at 2012 and 2013 year ends including the impacts of APS exit and various regulatory changes. We ended the half with a robust Core Tier 1 ratio of 11.1%. Net of APS relief the Group's Core Tier 1 ratio is now 10.3%, up 50bps year on year.

Mitigating actions are in sharp focus, including RWA reduction from Non-Core run-down, Markets restructuring, and future attributable profit generation. Note that we are currently estimating a fully loaded B3 ratio of 9-9.5% as of December 2013.

There continue to be a number of regulatory developments in the sector which are worth a mention. We continue to work through changes to Commercial Real Estate risk weightings. To date we have incurred £5bn of uplift, we expect a further £5bn over the remainder of 2012. While we welcome the further clarity around ICB proposals, significant details need to be settled. We view this as a significant undertaking which will be managed over a multi year period. We anticipate that CRD IV implementation may be delayed, which will be clarified in coming weeks. Nonetheless, we are active across a broad mitigation program.

As you would expect, there is little I can currently say on the LIBOR investigations. We continue to cooperate with various investigations, and have not taken an accrual for any potential fines at this point. On SME swap mis-selling, we have accrued a £50 million provision for a category of complex swaps, and have commenced work to access any broader issues. You can look over the summary points on the next slide, but in short, we've made lots of good progress, but there is still lots more to do.

With that, let me take a few questions.