The road to standalone strength

Bruce Van Saun, Group FD, The Royal Bank of Scotland Group

Morgan Stanley Financial Services Conference

27th March 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, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets, return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; certain ring-fencing proposals; 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 of the 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 full nationalisation of the Group or other resolution procedures under the Banking Act 2009; 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 financial stability of other financial institutions, and the Group’s counterparties and borrowers; the ability to complete restructurings on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the EC State Aid restructuring plan; organisational restructuring, including any adverse consequences of a failure to transfer, or delay in transferring, certain businesses, assets and liabilities from RBS Bank N.V. to RBS plc; the ability to access sufficient funding to meet liquidity needs; the extent of future write-downs and impairment charges caused by depressed asset valuations; the inability to hedge certain risks economically; 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 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; HM Treasury exercising influence over the operations of the Group; 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; impairments of goodwill; pension fund shortfalls; litigation and regulatory investigations; general operational risks; insurance claims; reputational risk; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the recommendations made by the UK Independent Commission on Banking and their potential implications; the participation of the Group in the APS and the effect of the APS on the Group’s financial and capital position; the ability to access the contingent capital arrangements with HM Treasury; 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

- RBS: The Recovery Plan and Scorecard
- Non-Core: Driving Risk Improvement
- GBM restructuring: Round 2
- The Core Franchise Value Proposition
- Gaining Standalone Strength

The Recovery Plan and Scorecard

In 2009 RBS instigated a 5 year Recovery Plan

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

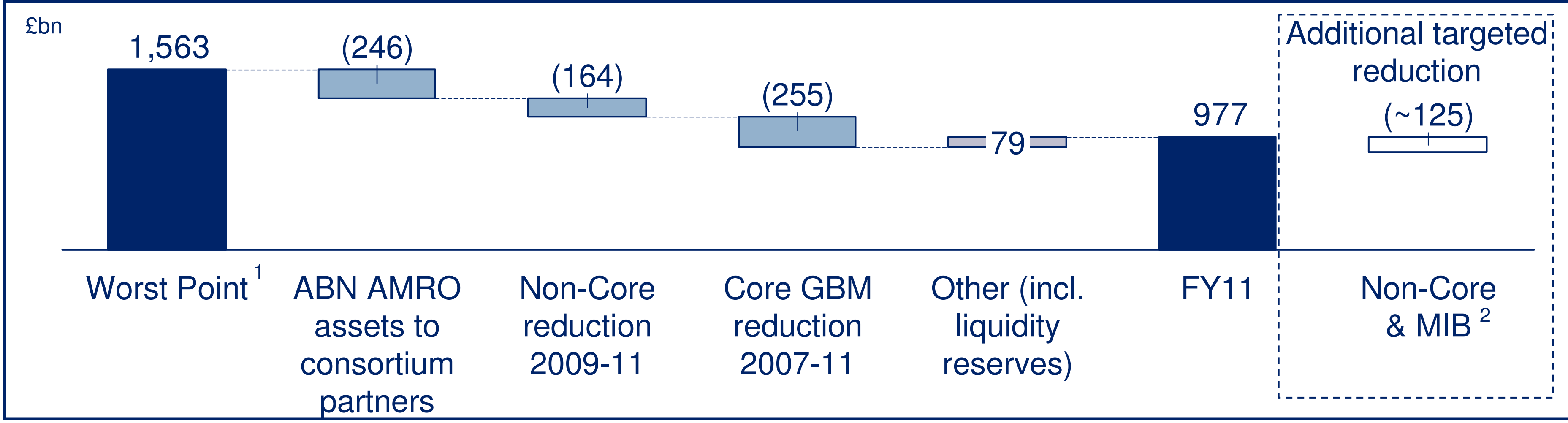
Strategy

- 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

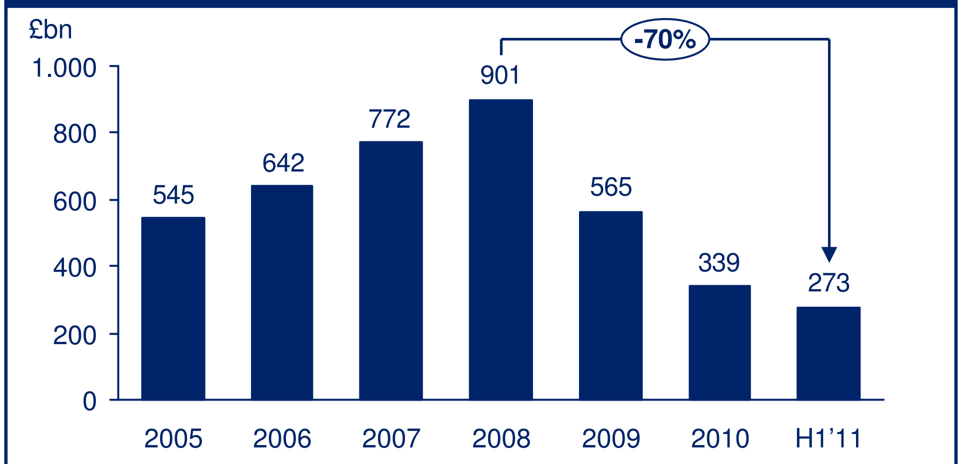
The principles of the RBS plan are working well

Progress to date: RBS's deleveraging actions reflect trend in key economies

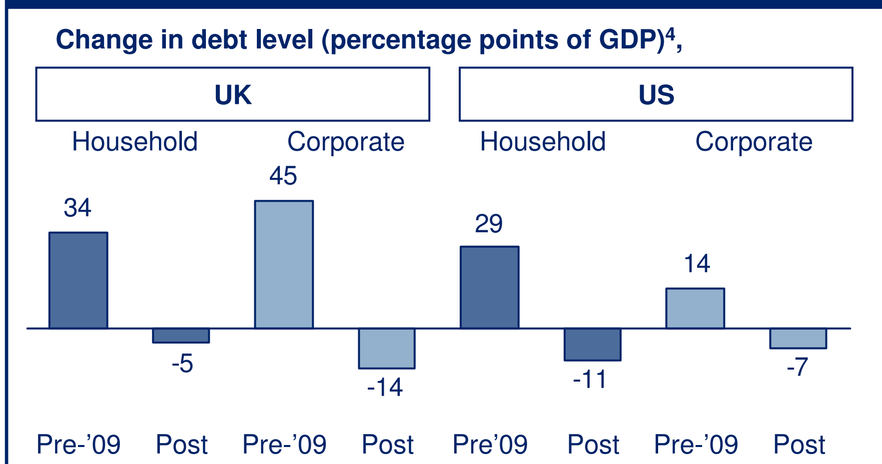
c. £600bn reduction in balance sheet achieved



UK banks are closing funding gap[3]…



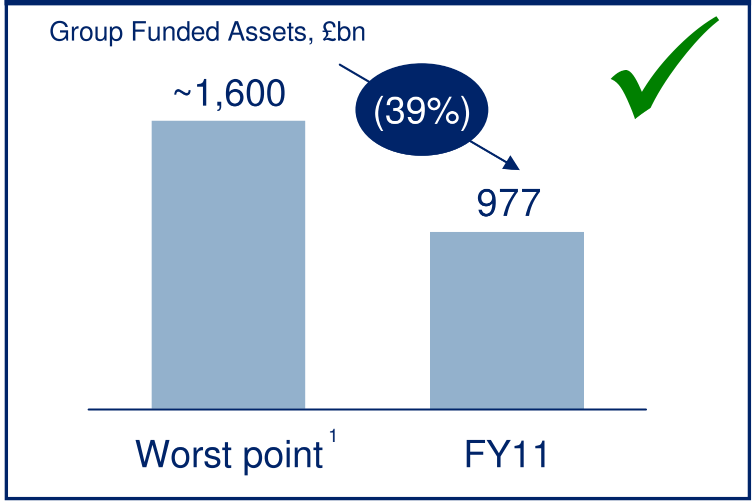
…as households and corporates deleverage



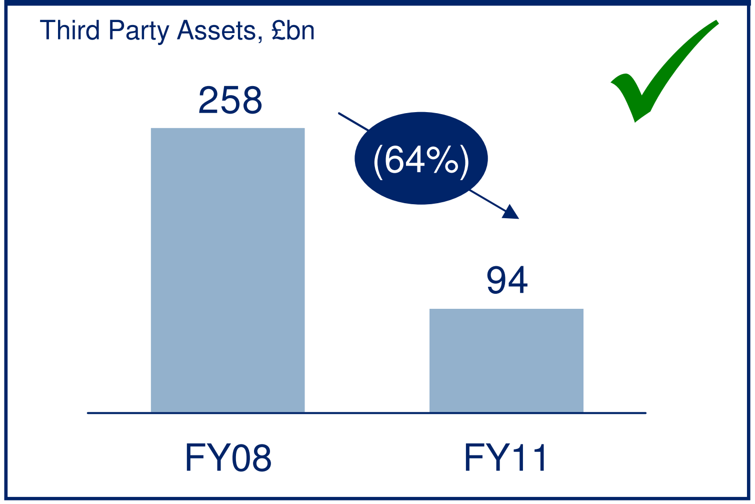
[1] Statutory funded assets at 31 December 2007. [2] c£55bn remaining in Non-Core ex 2013 rump of c. £40bn, c. £50bn targeted reduction in Markets and c.£20bn in International Banking over medium term. [3] Source: BoE. [4] Source: McKinsey Global Institute. Pre '09 refers to Q4 2000 to Q4 2008. Post refers to Q4 2008 to Q2 2011.

Progress to date: Balance sheet

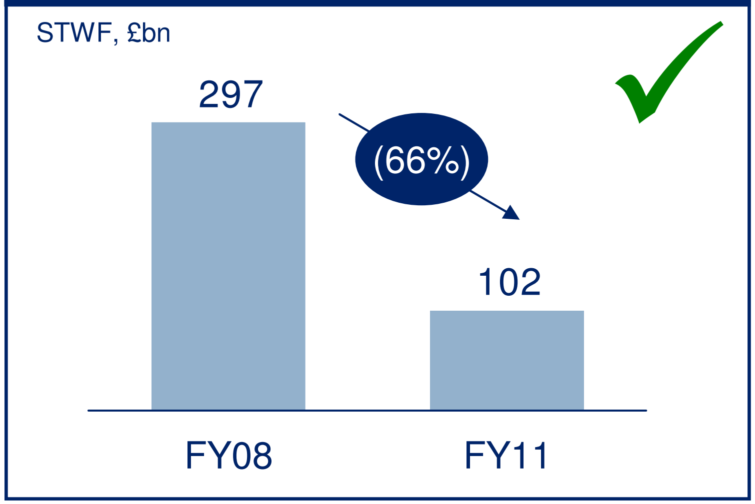
Balance sheet managed down



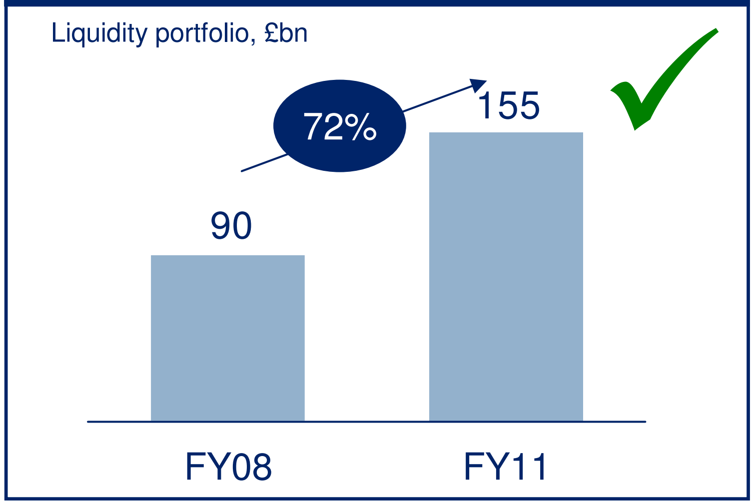
Non-Core assets more than halved



Short-term funding reduced

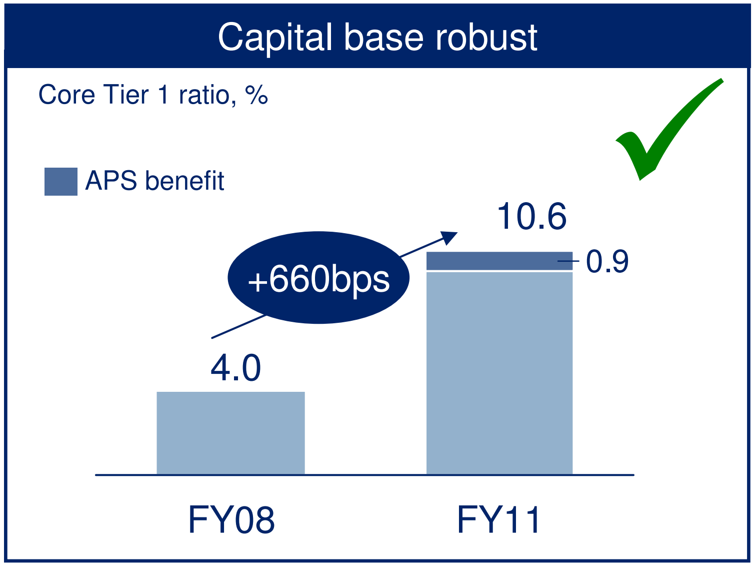


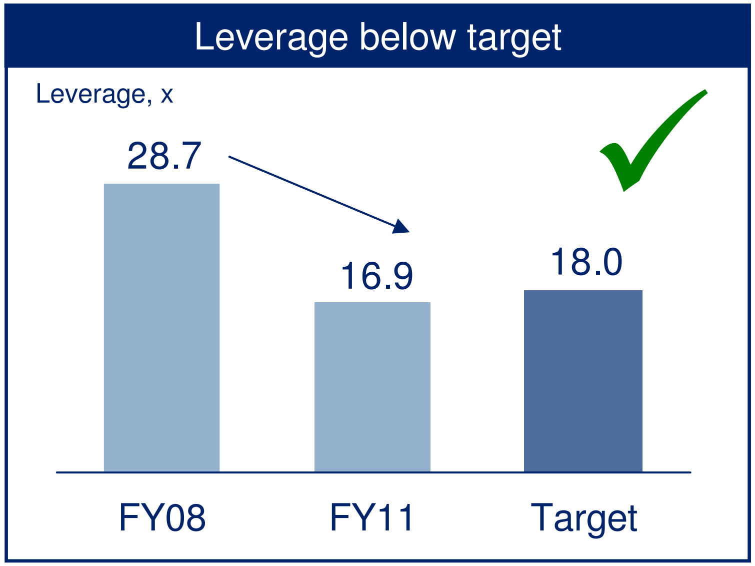
Liquidity portfolio > STWF[2]

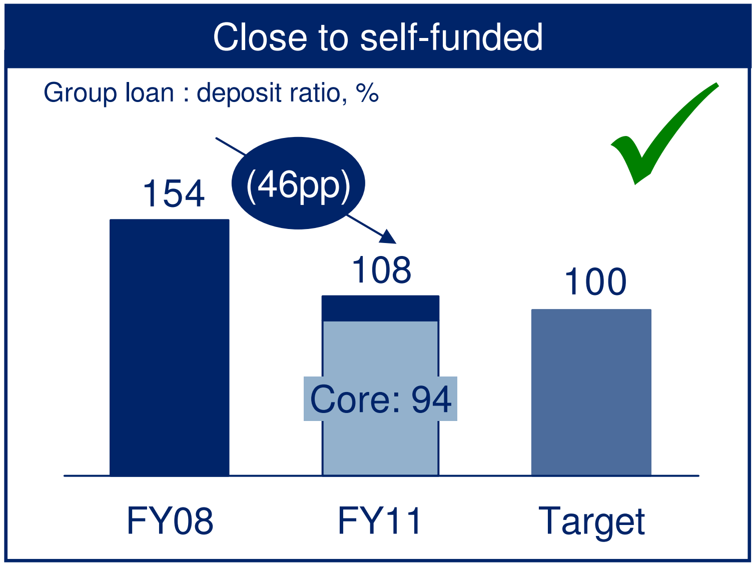


[1] FY07 funded assets, fully consolidated balance sheet. [2] Short-term wholesale funding.

Progress to date: Balance sheet







- Focus on safety and security of the bank - key balance sheet metrics met or surpassed
- Key measures 'in the pack' or ahead of peers
- Significant progress made in de-risking
- Non-Core reduction ahead of plan and ahead of peers

Progress to date: Funding and liquidity profile

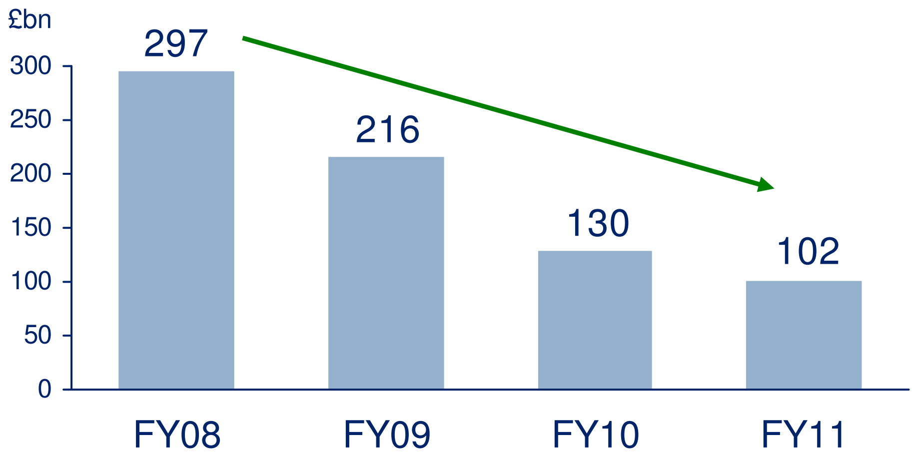
Key Metrics	RBS FY11	UK Peers[4] H111	EU Peers[4] H111	Better than Peers UK	Better than Peers EU
Loan : Deposit Ratio (Group/Core)	108% / 94%	113%	99%	✓ / ✓	X / ✓
Liquidity Buffer[1] as % Funded Balance Sheet	16%	16%	8%	✓	✓
Liquidity Buffer[1] as % STWF[2]	152%	119%	67%	✓	✓
STWF[2] as % Funded Balance Sheet	10%	14%	13%	✓	✓
STWF[2] as % TWF[3]	40%	55%	48%	✓	✓
Deposits as % Total Funding	63%	50%	45%	✓	✓

- RBS 2011 funding & liquidity metrics compare well to peers
- Targeting further improvement across all metrics which should place the Group in a top quartile funding and liquidity position by 2013/4

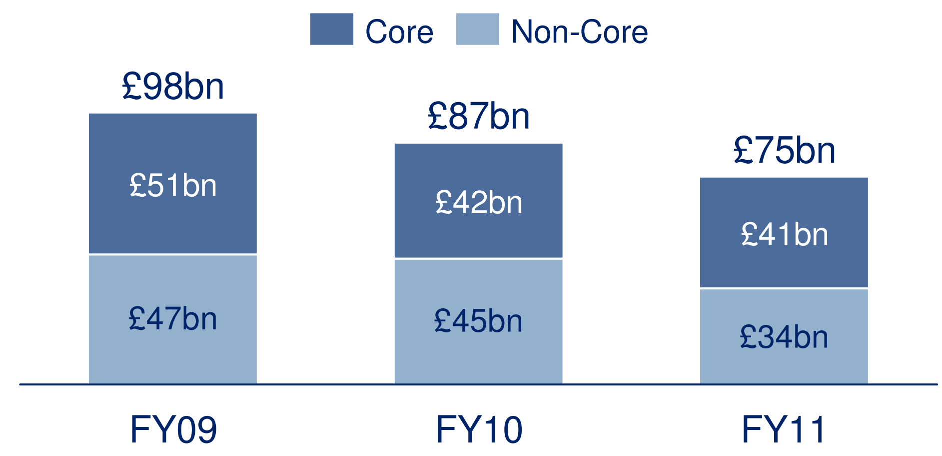
[1] Liquidity buffer reserves comprise cash at central banks and eligible unencumbered government and other debt securities as far as we are able to determine from public disclosures. Debt securities held for trading are excluded from the liquidity buffer metrics above. [2] Short Term Wholesale Funding. [3] Total Wholesale Funding – the majority of peer banks did not disclose their liquidity profiles for H1 11, therefore we used the FY 10 liquidity profiles to pro-rated H1 11 balance sheets of most peer banks. Wholesale funding includes cash collateral as most of the peer banks do not disclose cash collateral separately from other deposits.
[4] Peers include Barclays, Lloyds, HSBC, BNP Paribas, Credit Suisse, Deutsche Bank, Santander and UBS

Progress to date: The Group's risk profile is significantly better

Short-term wholesale funding[1]

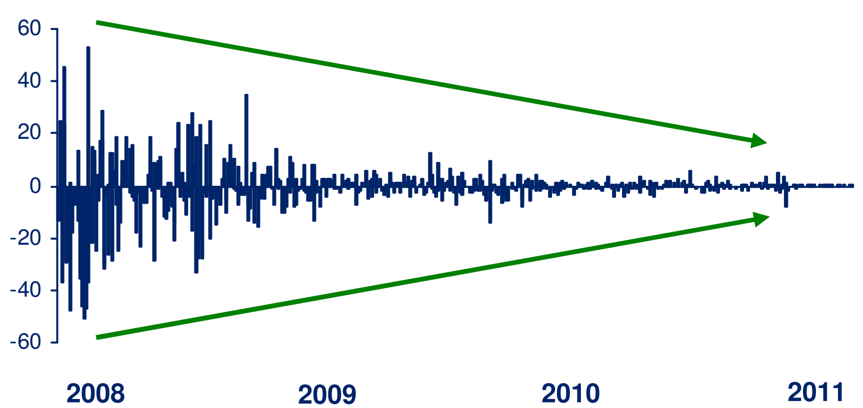


Commercial Real Estate Exposure[2]



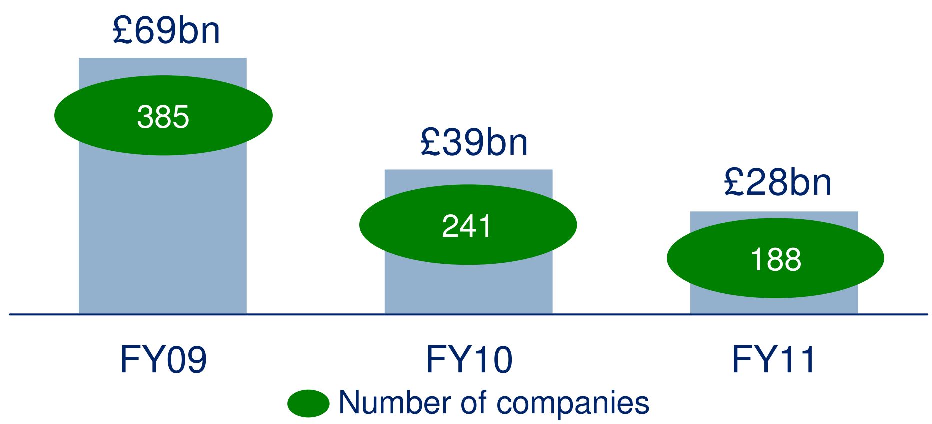
Non-Core market risk greatly reduced

Exotic Credit Book Daily P&L Moves, £m



Single name credit concentrations

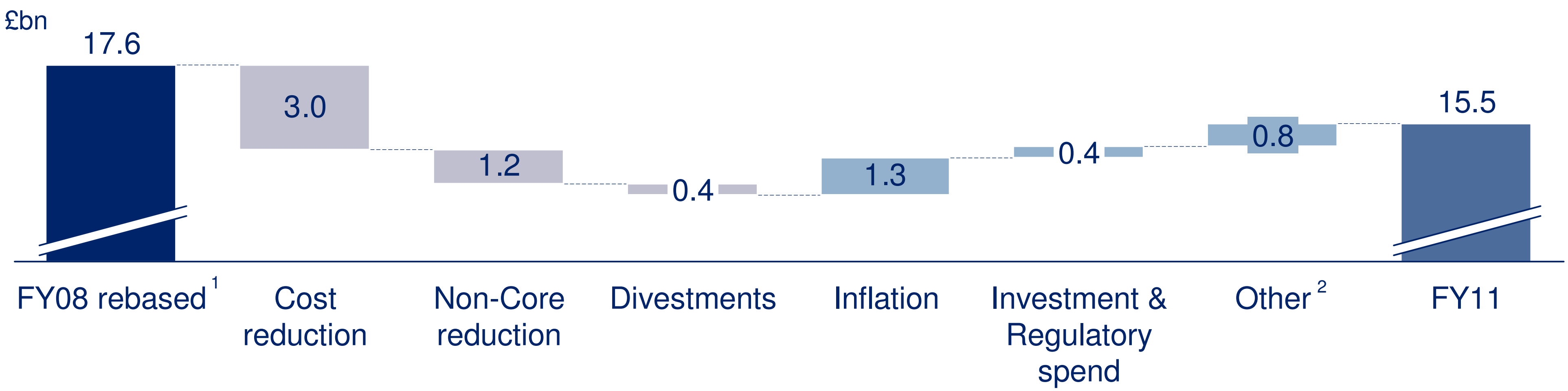
Corporate SNC Exposures Over Risk Appetite



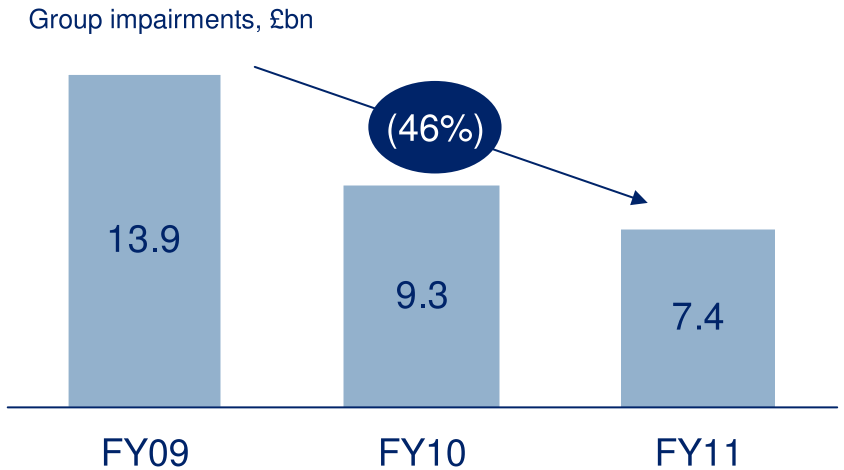
[1] Wholesale funding < 1 year to maturity excluding derivatives collateral. [2] Credit Risk assets excluding RRM and contingent obligations. Data shown as published at each period.

Progress to date: Costs tightly controlled, impairments declining, capital rebuilt

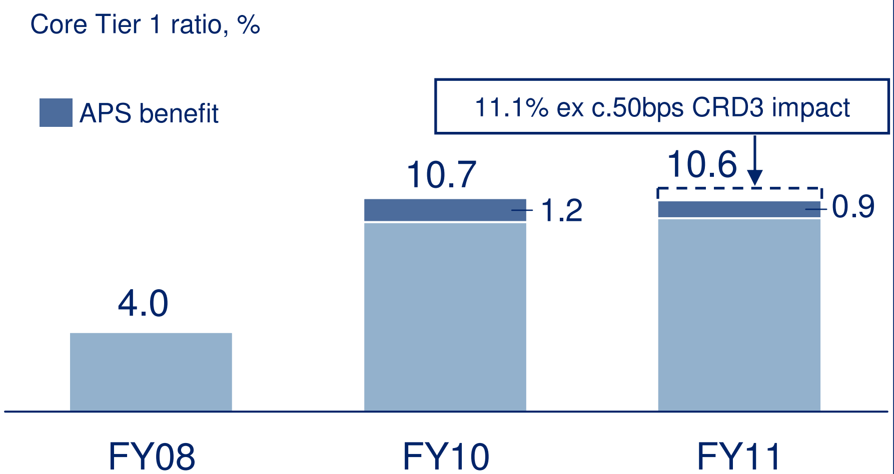
Relentless focus on cost efficiency, further savings initiatives planned



Impairments significantly reduced



Core Tier 1 rebuilt



[1] Rebased for FX and one-off exceptional adjustments. [2] Includes one-offs, volume & other.

Non-Core: Driving Risk Improvement

Non-Core: Driving risk improvement

The primary driver of risk reduction

Non-Core – make-up at inception

- Separately managed as run-down division
- At inception:
  - £258bn of funded assets
  - £171bn of RWAs
- Larger balance sheet than Standard Chartered, would be 5th largest US bank
- Mix of non-strategic, overly concentrated or stressed assets
- Incorporated portfolios, assets and entire businesses
- Included trading books outside the risk appetite of the Group
- Run-down targeted over 5 years through combination of natural run-off and asset sales
- Cash proceeds used to improve funding position

Non-Core – challenges & answers

- Significant complexity around portfolio assets
  - Brought in asset class expertise, built good data on assets
- Would there be sufficient demand to move assets at reasonable prices?
  - Plan phased run-down in line with economic scenarios
  - Patience required: half of run-down is through natural run-off
  - Opportunistic approach for running ahead
  - User-friendly for buyers

Non-Core: How we went about it

Run-down plan:

- **Run-off has been key driver**:
  - Biggest single contributor to run-down – 42%[2] reduction to date
  - No/limited execution costs relative to market disposals
  - Requires a focused and systematic approach
  - Stay close to clients – opportunities may arise to exit earlier or more cheaply
  - Maintain a robust approach – limit haircuts on repayments, resist rollovers
- **Impairments are**:
  - Better than forecast despite Irish out-turn and prolonged economic down-turn
  - Coming in at lower end of £20-30bn guide range for 2009-2013
- **Disposals are running ahead of projections**:
  - £68bn over 3 years, significantly ahead of plan
  - 3pp cost vs. carrying value to date
  - Likely higher disposal costs on remaining plan of c.£25bn 2012/13

Note: Run-off inc. rollovers, drawings and FX movements. [1] Excludes MTM derivatives. [2] Including £16bn of rollovers and drawings. Excluding this would result in a 52% reduction.

Non-Core: Asset composition changes

YE 2008 funded assets

Retail

UK Mortgages & Personal Lending £3.2bn

US Mortgages & Personal Lending £11.9bn

Ireland Mortgages £6.5bn

Other

RBS Insurance £2.0bn

Bank of China / Linea Directa £4.5bn

Whole Businesses £0.8bn

Shared Assets and Other £1.5bn

Corporate

Project & Export Finance £21.3bn

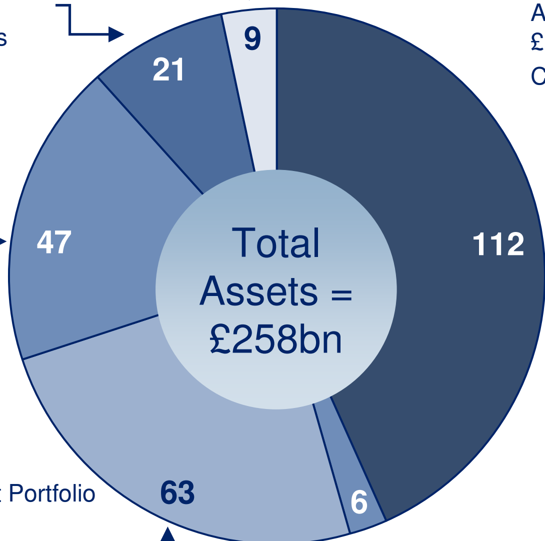
Asset Finance £24.2bn

Leveraged Finance £15.9bn

Corporate Loans & Securitisations £41.6bn

Asset Management £1.9bn

Countries £6.7bn



Markets

Structured Credit Portfolio £20.1bn

Equities £5.0bn

Credit Collateral Financing £8.6bn

Exotic Credit Trading £1.4bn

Sempra £6.3bn

Other Markets £6.2bn

Commercial Real Estate

Real Estate Finance £38.7bn

UK B&C £11.4bn

Ireland £9.9bn

US £2.8bn

SME

UK SME £4.2bn

US SME £1.6bn

YE 2011 funded assets

Retail

UK Mortgages & Personal Lending £1.4bn

US Mortgages & Personal Lending £3.9bn

Countries £0.9bn

Other

RBS Insurance £1.1bn

Shared Assets and Other £0.5bn

Corporate

Project & Export Finance £12.6bn

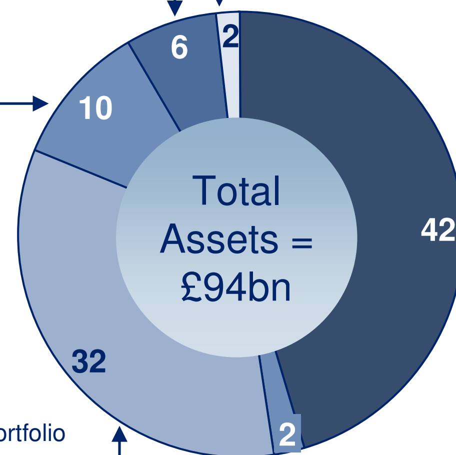
Asset Finance £16.2bn

Leveraged Finance £4.2bn

Corporate Loans & Securitisations £8.2bn

Asset Management £0.5bn

Countries £0.7bn



Markets

Structured Credit Portfolio £8.9bn[1]

Equities £0.3bn

Credit Collateral Financing £0.1bn

Exotic Credit Trading £0.2bn

Other Markets £0.4bn

Commercial Real Estate

Real Estate Finance £19.3bn

UK B&C £3.7bn

Ireland £7.7bn

US £0.9bn

SME

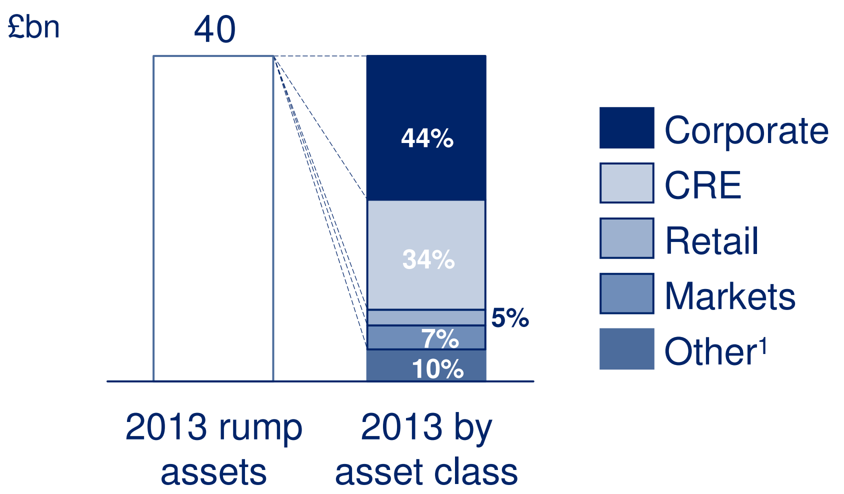
UK SME £1.8bn

US SME £0.3bn

[1] SCP includes £5.0bn of Corporate (o/w CLOs £4.2bn), £0.8bn RMBS, £1.1bn CMBS and £1.1bn SPVs.

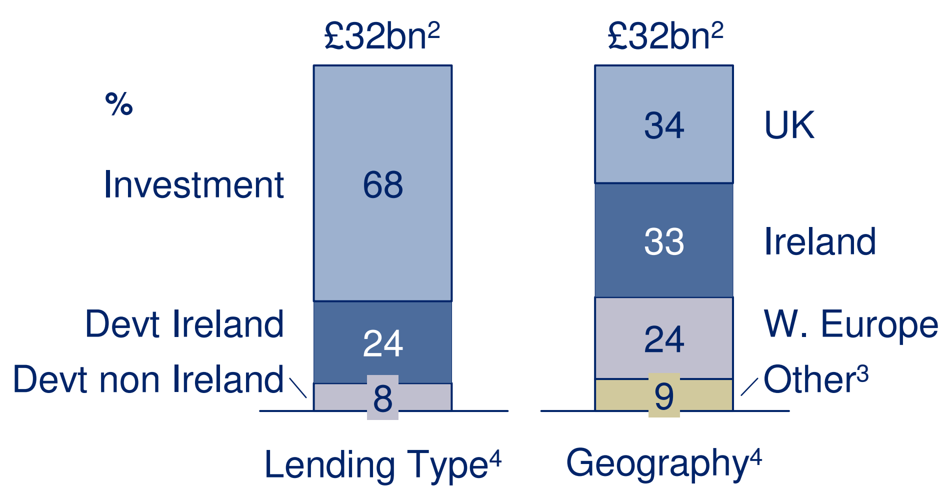
Non-Core: 2013 'rump'

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, FY11



- 2011 CRE portfolio attributes:
  - Exposure dominated by Investment lending
  - 47% of book classed as REIL, provisioned at 44%
  - Ulster Bank Development provisioned at 57%
  - Well balanced by geography; 2/3 non-Ireland, UK biased to London and South-East

[1] includes SME lending. [2] Based on loans and advances. [3] Includes US and RoW. [4] Based on Credit Risk Assets.

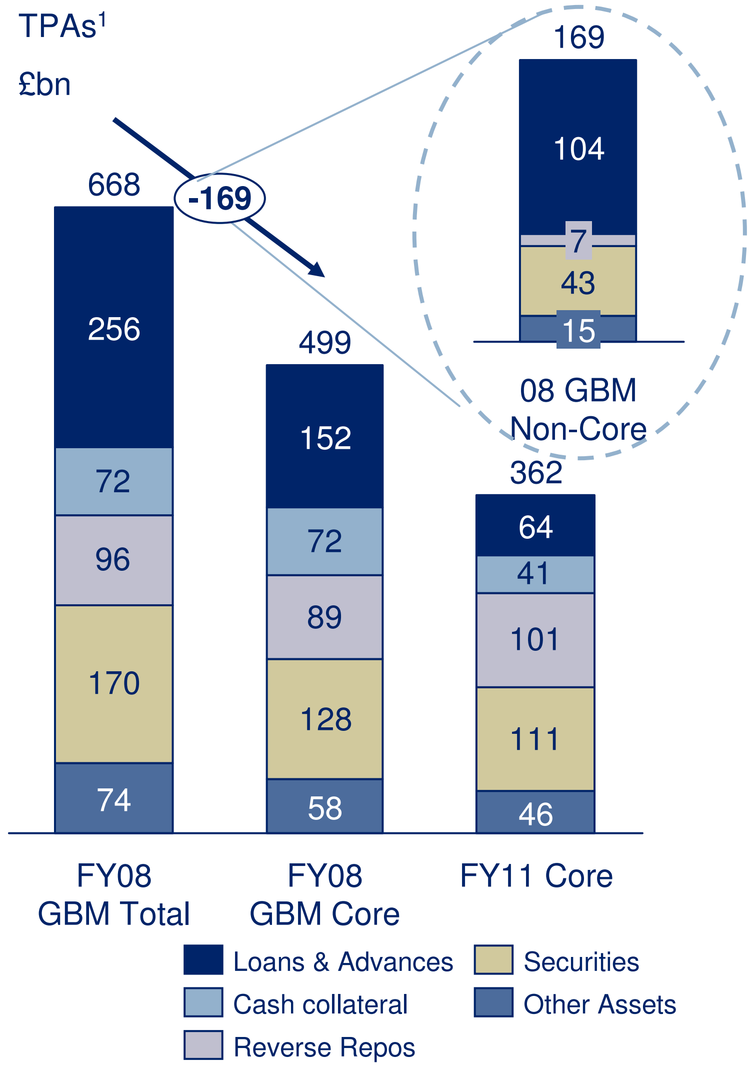
Non-Core: Progress summary & outlook

- Currently delivering ahead of plan:
  - FY11 funded assets of £94bn vs. original target of £118bn
  - Non-Core assets <10% of Group funded assets
  - Cumulative impairments at £18.6bn, vs £20-30bn guide range
  - Disposals to date capital accretive
  - Risk profile of Group significantly improved
- 2012:
  - c.£25-30bn reduction targeted for FY12
  - O/W c£13bn disposals; Aviation Capital (£4.5bn) already announced
  - 2012 has started well

Wholesale Restructuring

GBM: Restructuring 2008/09

Wholesale restructuring in 2008

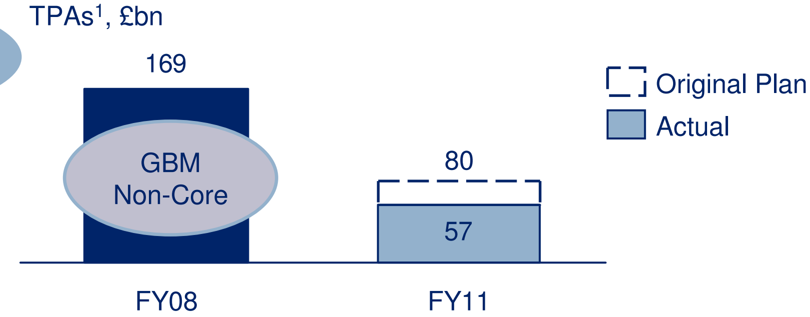


Ability to focus on deleveraging

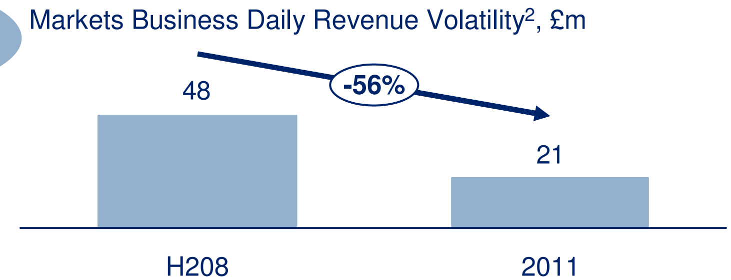
Ability to reduce risk

Ability to generate returns

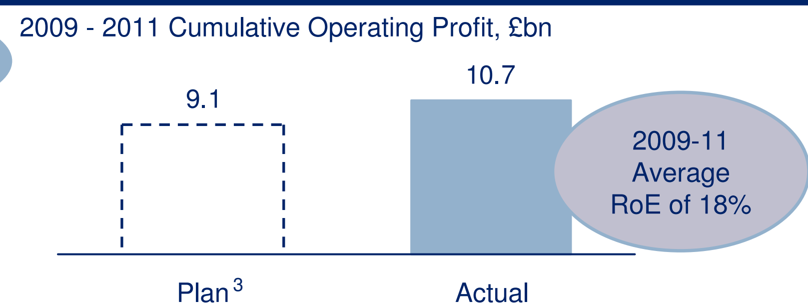
GBM donated Non-Core assets - Deleveraging ahead of plan



Enhanced risk culture fully embedded across group



Resultant GBM profit ahead of expectations



[1] Third party assets excluding MTM derivatives. Derivatives at fair value of £145bn also moved to Non-Core; total GBM derivatives at FY08 £895bn. [2] Standard deviation of Markets daily revenue. [3] Excluding Sempra.

GBM: Why we had to go to round two restructuring

Economic
- Slower economic recovery
- Flatter yield curve

RBS impact
- NIM and impairment headwinds
- Lower customer activity levels

Market
- Customer risk aversion
- Dislocated funding markets

RBS impact
- Lower IB client activity & risk volatility
- Higher Group funding costs
- Still more conservative funding model required

Regulatory
- Basel – capital and liquidity requirements
- ICB

RBS impact
- Much higher capital requirement
- Increased funding, liquidity and capital costs

GBM: The plan going forward

RBS Competitive Positioning

Weak ← → Strong

Capital Intensity

Low ↑ ↓ High

- Cash Equities
- Corporate Broking
- Equity Capital Markets
- M&A

- Prime Services

- FX
- Transaction Services
- Investor Products

- Credit Markets
- Emerging Markets

- Rates
- Asset-backed Products
- Corporate Lending

Exit

Retain / Invest / Optimise

Generated negative contribution in FY2011: ~(10)% of total GBM contribution

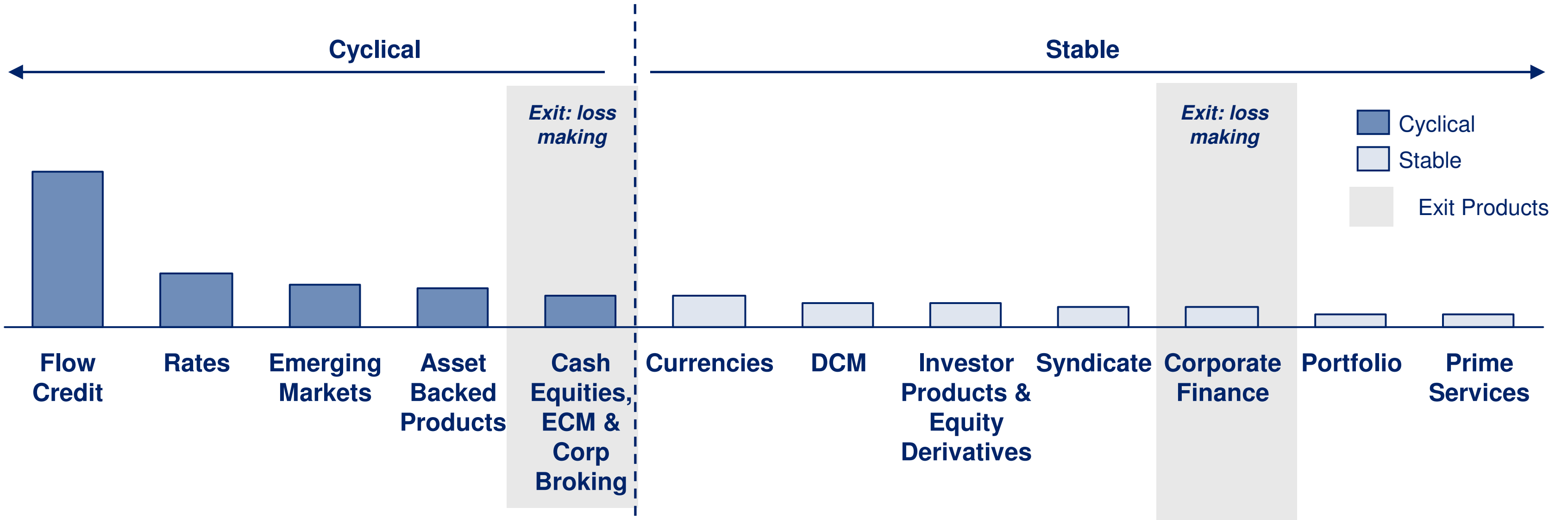
Optimise Invest

- Focus on businesses where we hold a competitive advantage. Maintain market share. Serve clients well.
- Plan will: reduce complexity; drive a more conservative balance sheet, improving sustainability of funding requirement; improve risk profile; and deliver more stable revenues and solid returns.

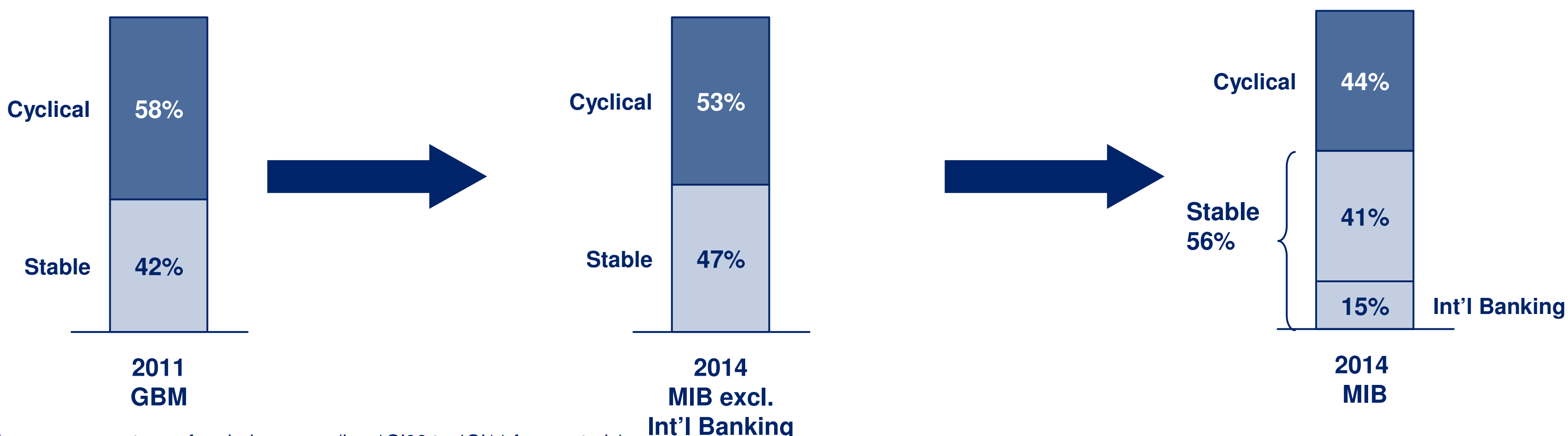
New mix improves stability of revenues

Revised profile will drive increased stability of revenues with scale down/exit of more volatile products

Quarterly volatility[1] of revenues (1Q09-4Q11)



Restructuring increases weight of stable revenue streams



[1] Volatility equals standard deviation as a percentage of period average (i.e. 1Q'09 to 4Q'11 for quarterly)

Markets business overview

Summary

- Provides products and services to a wide range of the Group's clients and addresses the more complex financial needs of large corporate and institutional clients and (via Retail network, RBS Wealth and third party distributors) sophisticated retail investors
- Intermediates between diverse issuer and investor client sets, including clients of the wider Group

Client offering

Intermediating between issuers and investors across asset classes

Issuers	• Large corporates – IB Clients • Smaller corporates – other RBSG divisions • Financial institutions – PGS clients, product-covered clients, other RBSG divisions
Investors	• Institutional investors • Retail investors: sophisticated RBS Wealth clients

Serving Corporates & FIs in their treasury & risk management operations

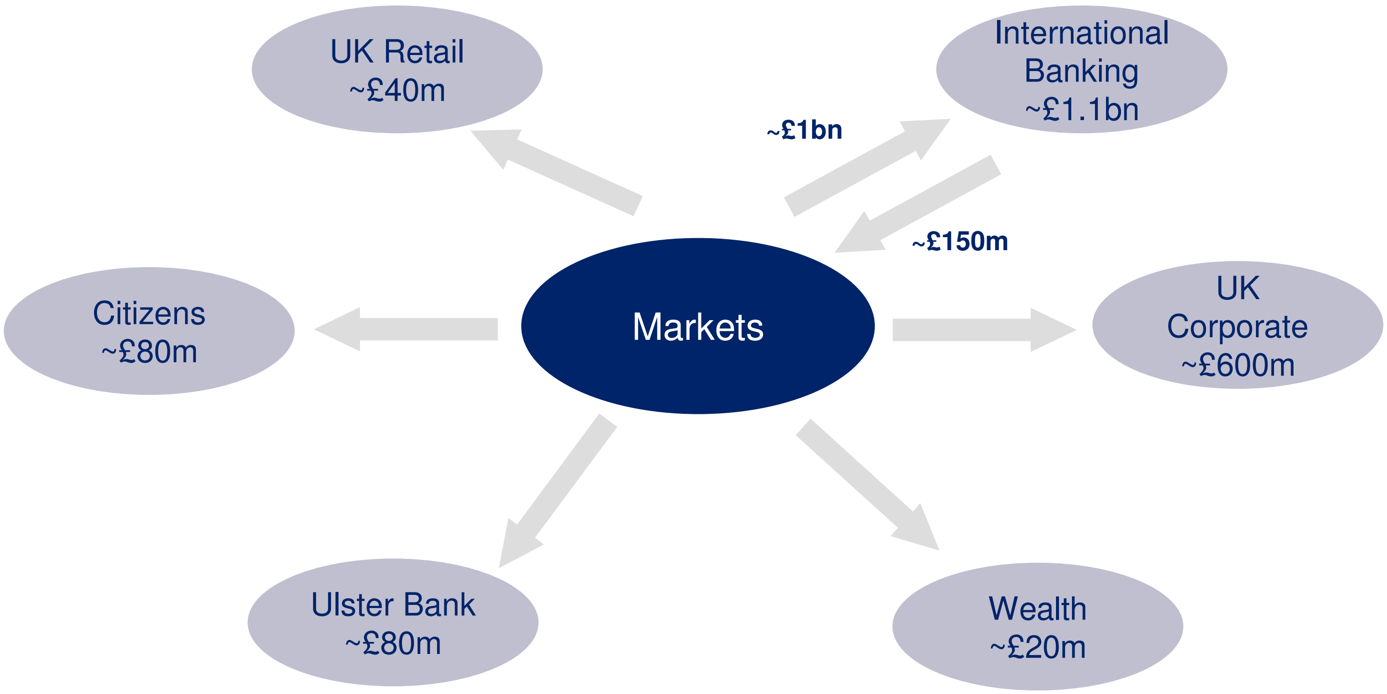
Corporates	• Large corporates • Product covered clients • Smaller corporates – Domestic clients of UK Corporate, Ulster, Citizens
Financial Institutions	• Banks • Insurers • Institutional investors

Products

- Currencies – spot FX and currency hedging
- Rates – interest rate hedging, inflation, money markets
- Emerging Markets – access to non G11 offshore and onshore products
- Asset-backed Products, FI Solutions – complex balance sheet, capital and liquidity solutions including securitisations
- Prime Services – prime brokerage, clearing, collateral services, futures
- DCM and Credit – execution and market intelligence
- Investor Products and Equity Derivatives
- Risk Solutions – corporate risk management solutions

Significant connectivity of Markets business with rest of RBS Group

Revenue Connectivity of Markets and International Banking Businesses Across RBS Group



- ~£1.9bn[1] revenues generated across RBSG in 2011 through Markets connectivity

[1] Markets products to Group clients and International Banking products to Markets clients.

International Banking overview

Summary

- Client focus: Internationally oriented corporates and their subsidiaries. Financial Institutions to who we sell Transactions Services
- Coverage model: Integrated coverage organisation serving own client base and international transaction services needs of the Group’s customers

Formation rationale

- Combine GBM Banking with GTS International
- Extract cost synergies from front office and shared infrastructure
- Align capital to optimise returns across M&IB
- Ensure all locations deliver attractive returns across the network
- Stable, low volatility returns

Country presence

EMEA:

- Austria, Belgium, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Italy, Kazakhstan, Luxembourg, Netherlands, Norway, Poland, Qatar, Russia, Slovakia, South Africa, Spain, Sweden, Switzerland, Turkey, UAE, UK

APAC:

- Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand

AMERICAS:

- Canada, USA

… presence in additional 20+ countries through partner bank agreements

Products

- Payments and cash management
- Trade finance
- Liquidity and deposits
- Lending and structured lending
- Corporate Advisory
- Electronic channels & client workflow integration
- Access to all Markets products, including DCM, FX and Rates

Markets & Int'l Banking: Achievable medium term targets

	FY'11	FY'11 pro-forma		Medium-term targets		Management levers
	GBM	Markets	IB	Markets	IB	
Cost: income ratio	73%	66%	66%	c.60%	<60%	■ Cost efficiency
RoE	8%	9%	11%	>12%	>12%	■ RWA reduction: — Lower inventory — De-risking — Model improvements

- Reduce asset and capital usage to improve funding profile and returns
- Deliver meaningful cost synergies
- Enhance connectivity with other divisions

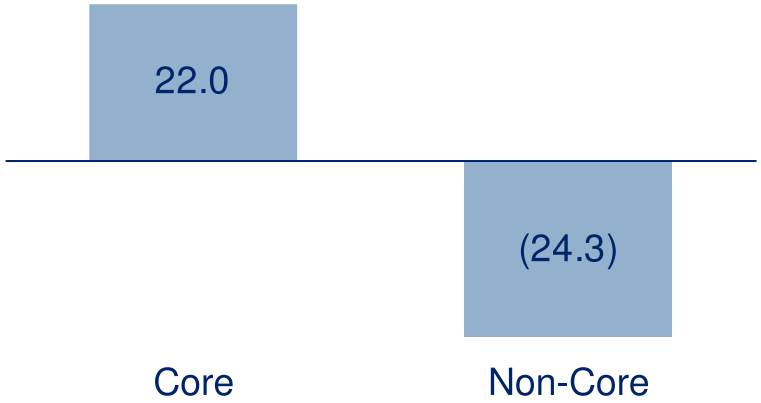
RBS Group

Core Franchise Value Proposition

Our ongoing business – a complementary mix

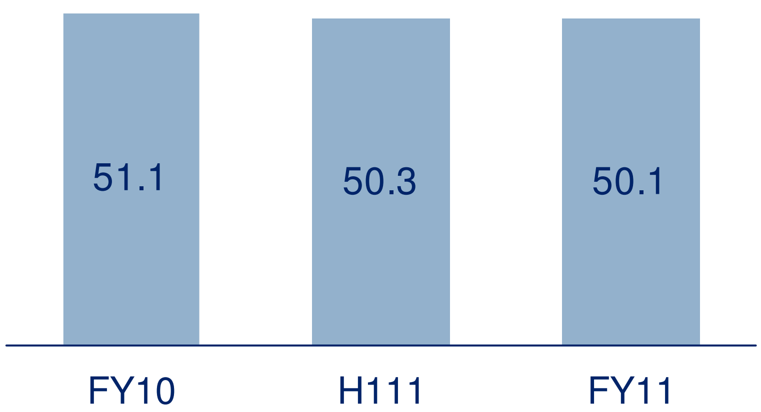
Core profits offsetting Non-Core loss

Core operating profit vs. Non-Core operating loss, FY09-FY11, £bn



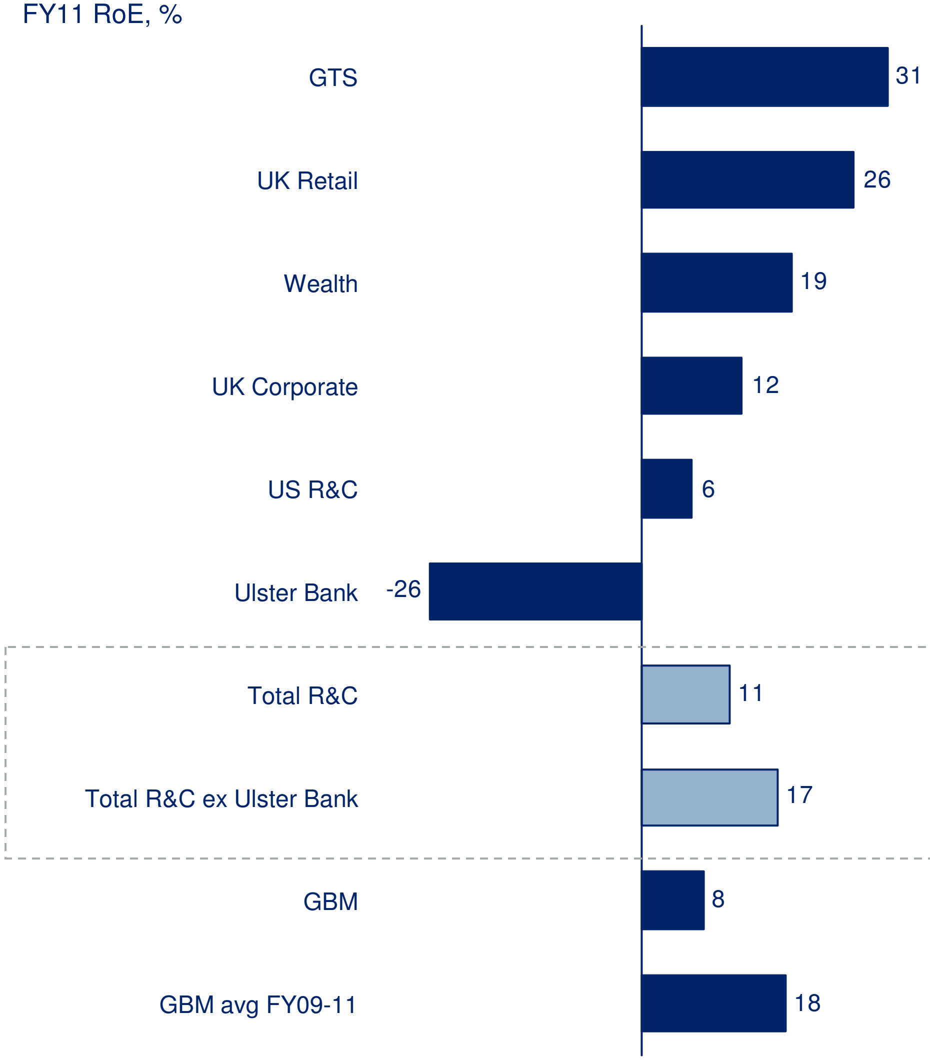
TNAV maintained

TNAV/Share, p



Good blend of RoEs

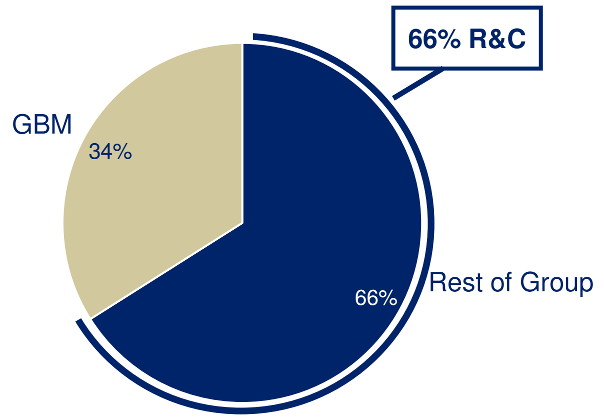
FY11 RoE, %



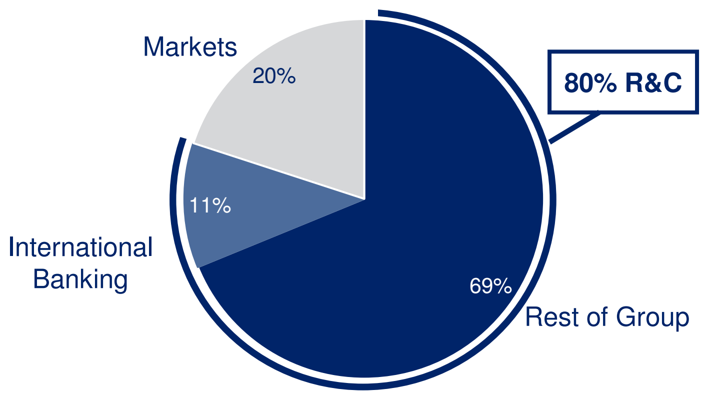
RBS Group

Improving sustainable strength & value

FY07 revenues[1], old structure

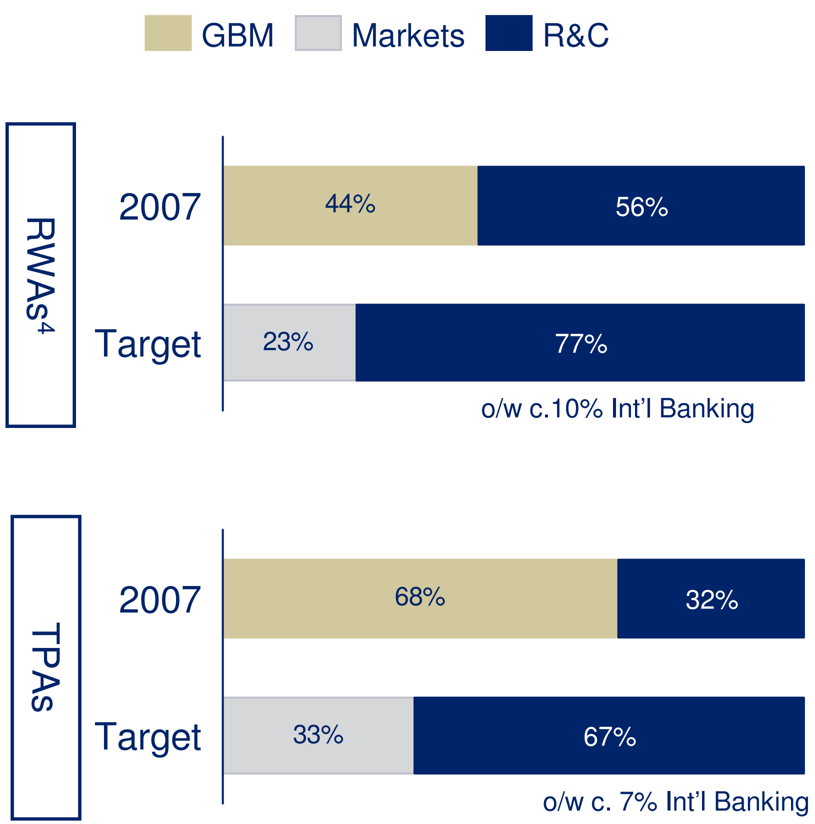


FY11 revenues[2], new structure



- Total markets revenues[3] of £5.6bn represent c25% of Core[2]

Balance sheet structure



Further shift toward Retail & Commercial

[1] Total Group excluding insurance. [2] Core excluding Insurance. [3] Revenues booked in both Markets and other Divisions. [4] RWA target fully loaded for Basel III.

Robust franchises, leading market positions

- UK Retail:
  - #2[1] for UK current accounts (13m); 11.4m savings accounts
- UK Corporate:
  - #1[2] SME bank, #1[3] Corporate Bank; c1.2m customers
- Wealth:
  - #1[4] UK High Net Worth Private Bank
- US R&C:
  - Top 5[5] player in 8 of the top10 markets in which we operate
- Ulster Bank:
  - #1[6] bank in Northern Ireland, #3 Island of Ireland; serving 2m customers
- International Banking:
  - Top tier cash management provider (#1 UK[7], #4 Western Europe[8], #6 Global[8])
  - Top tier bookrunner of syndicated loans (#1 UK, #4 Western Europe; #10 Global)[9]
- Markets:
  - Top 5[10] in FX, Rates and Asset Backed Products
- RBS Insurance:
  - #1 personal lines insurer with 19% share in motor and 18% in home[11]

An attractive Group, increasingly evident as Non-Core recedes

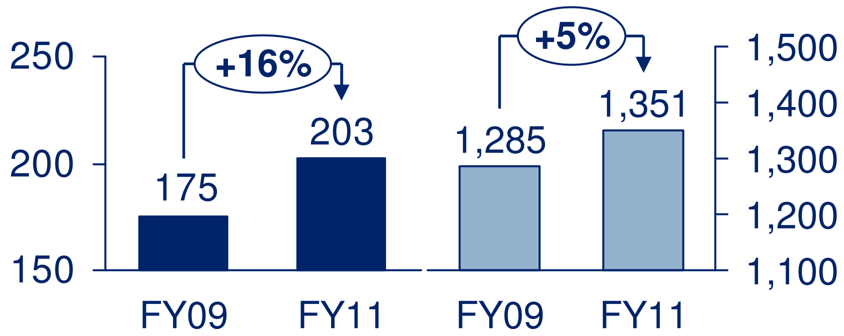
[1] GfK NOP Financial Research Survey (FRS) 6 months ending January 2012, market share of all current accounts, 28,811 adults interviewed, UK Retail includes RBS, NatWest and Coutts. [2] RBSG 26% main bank market share. Chaterhouse Business Banking Survey YEQ4 2011; based on 16,613 interviews with businesses in Great Britain turning over up to £25m pa. [3] pH Group (Experian). [4] Private Asset Management, RBS estimates. [5] Deposit market share data, FDIC. [6] PWC annual survey for Corporate; IPSOS MORI for Retail. [7] Ranked #1 for market footprint UK, 2012 Greenwich Share Leader – European Large Corporate Cash Management. [8] Euromoney results for Corporates, FY11. [9] Dealogic Loans Review FY11. [10] Coalition and RBS estimates. [11] GfK NOP Financial Research Survey (FRS) 3 months ending Dec 2011.

UK Retail and Commercial: Strong UK businesses

Growing UK deposit balances

RBS UK Retail & UK Corporate combined customer deposits (£bn)

Market[1] household & corporate deposits (£bn)

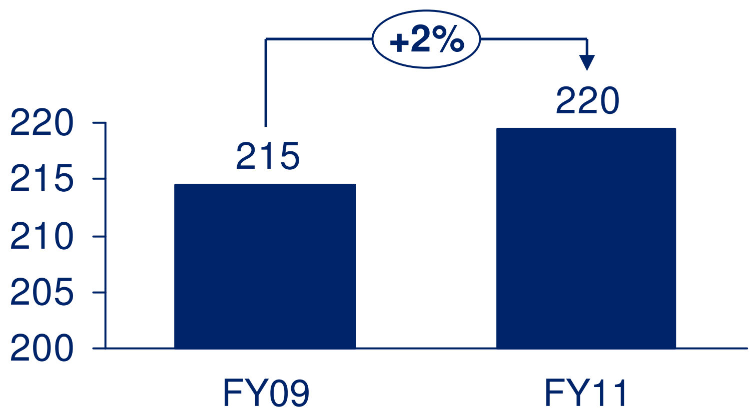


Good blended RoE currently…

	FY'11 RoE
UK Retail	26%
UK Corporate	12%
Blended UK R&C	*18%*

Increased lending to UK customers

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



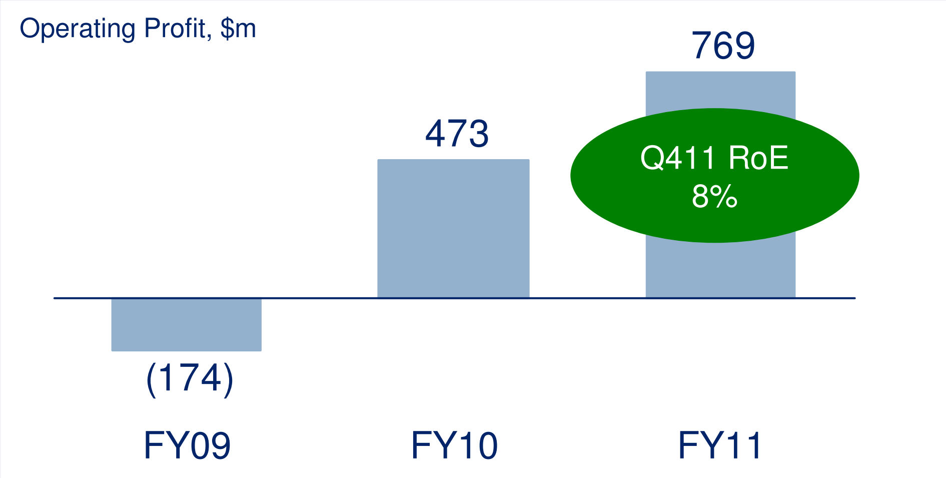
…potential upside from economic recovery

	RoE impact
Volumes pick up	+
Higher rates	+
Lower impairments	+
Regulatory changes (e.g. CRE slotting)	–

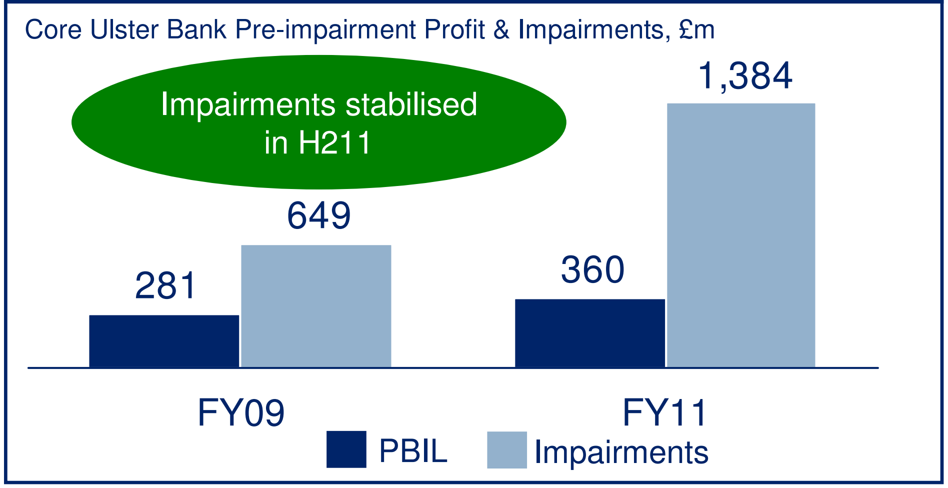
[1] Source: Bank of England, includes UK Private Non-Financial Corporate and UK Household deposits held.

US R&C, Ulster Bank: Improvement impactful to Core results

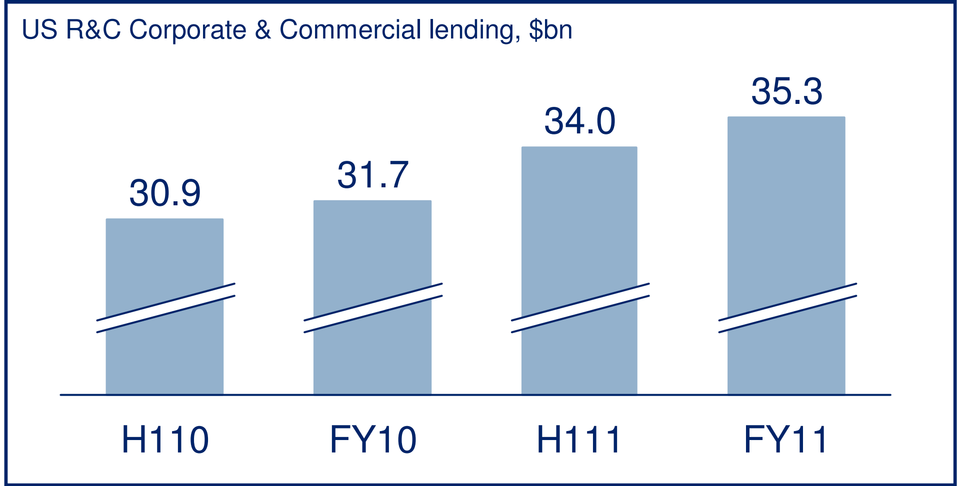
US R&C profits are recovering



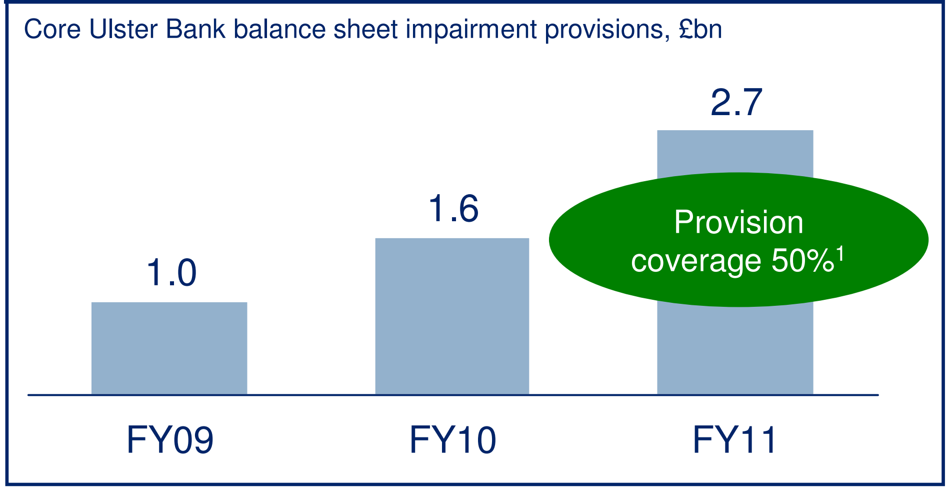
Ulster Bank underlying profits improved



With tentative signs of growth



Provisioning levels significantly increased



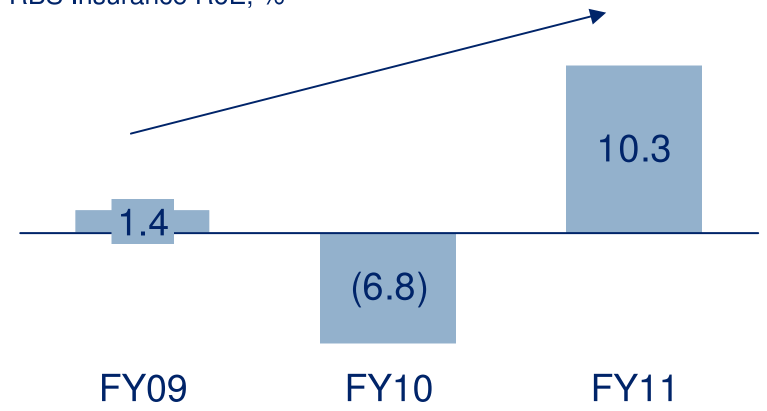
[1] Provision coverage as a percentage of risk elements in lending (REIL).

Insurance: continues to deliver on turnaround

- #1 UK personal lines insurer with 19% market share in motor and 18% in home[1]
- Earnings turnaround in 2011 driven by continuing management action following a period of underperformance and elevated bodily injury claims
- Investing to build competitive advantage in the pricing, claims and operational efficiency
- On track for business IPO starting in H2'12

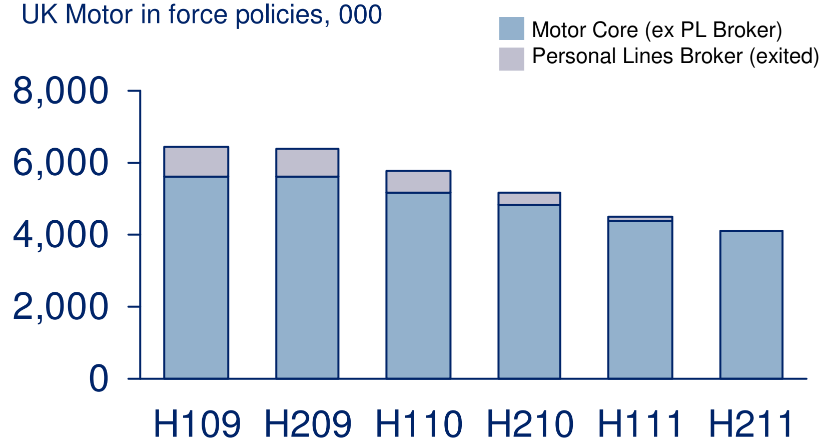
RoE turnaround

RBS Insurance RoE, %



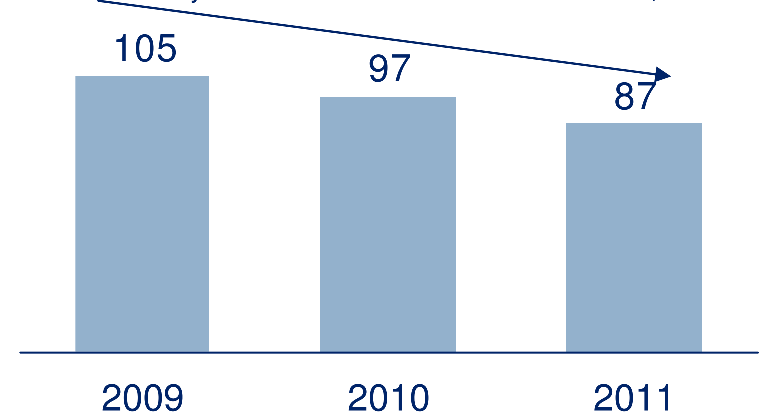
Reduced high risk, unprofitable motor business

UK Motor in force policies, 000



Improving loss ratios

Motor accident year ultimate loss ratios as at end 2011, %

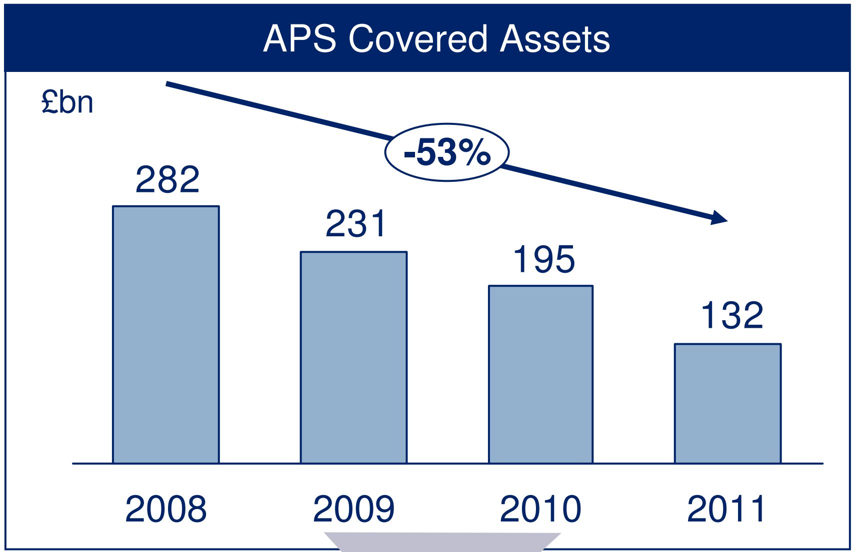


[1] Motor & Home market share data GfK NOP Financial Research Survey (FRS) 3 months ending December 2011, 8,000 adults interviewed.

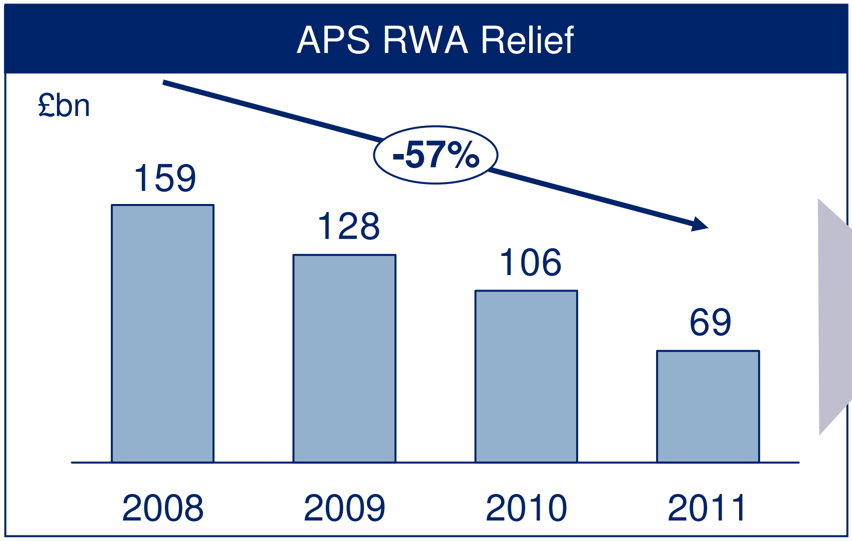
Standalone Strength

APS update

- APS scheme has provided enhanced capital strength, reduced risk and facilitated Non-Core run-down
- APS covered assets have more than halved since 2008, while CT1 benefit has declined to 0.87% from 1.6% at FY09
- RBS and APA[1] estimates agree the £60bn 'first loss' threshold will not be exceeded under base or stress scenarios
- Future benefits now outweighed by the cost (c.£500m pa)
- Exit is favoured course in Q412, subject to FSA approval



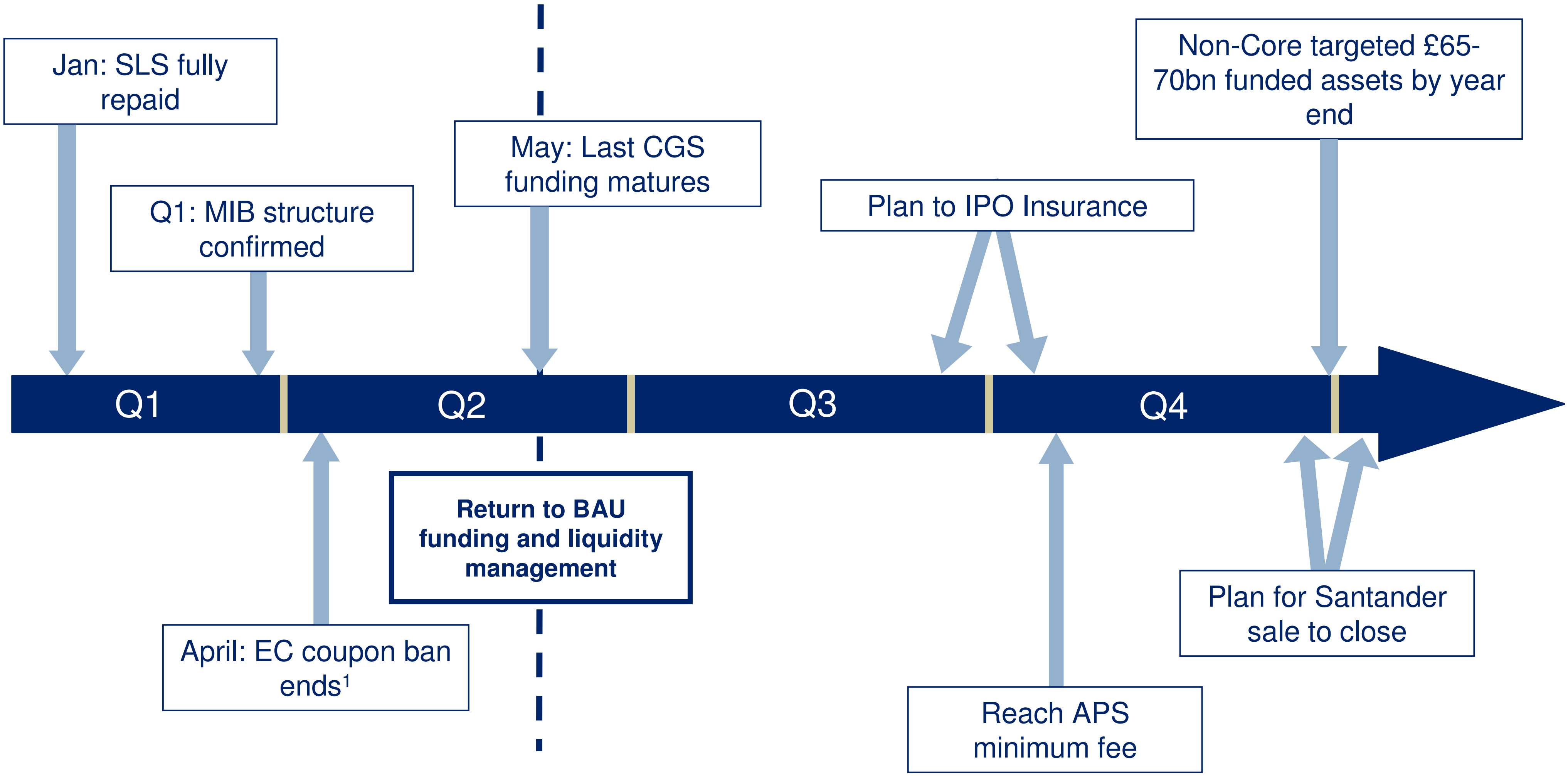
APS covered assets already reduced by over 50%



RWA relief under half of 2008 figure, making scheme less beneficial

[1] Asset Protection Agency.

Planned milestones in 2012



[1] EC ban ends for RBS Group, RBS plc and NatWest plc. RBS NV ban ends April 2013.

Conclusions

Markers of success

		Progress
A fundamentally restructured group	■ A resized, restructured and de-risked balance sheet ■ An efficiently run, lower cost business	✓ ✓ ✓
A viable, attractive, standalone business	■ Maintenance of market-leading positions with customer relevance ■ Complementary business proposition with appropriate capital usage ■ Generating RoE > CoE	✓ ✓ ✓ ✓ ✗
A rebalanced risk profile	■ Fully overhauled risk management approach ■ Appropriate risk appetite central to the business model	✓ ✓ ✓ ✓
Under-investment addressed	■ Focused on organic growth ■ Investing for future cost savings ■ Improving efficiency, customer service and staff utilisation	✓ ✓ ✓ ✓ ✓ ✓
An appealing investment case	■ Path to solid returns clear; sustainable business model and balance sheet ■ Establish strong dividend platform ■ UK Government able to exit its holding	✓ ✓ ✗ ✗

Conclusions

Core Franchises	■ Resilient R&C performance, especially UK businesses ■ Continued improvement from US R&C and Insurance ■ GBM: Clear plan to improve RoE: in execution phase ■ Value proposition driven by management actions and in the longer term by improving economic activity
Non-Core and Risk	■ Non-Core TPAs below 2011 target, now <10% of Group funded assets ■ Good progress on Non-Core risk reduction with focused action on capital intensive assets and monoline exposures ■ Aiming for run-off to be capital neutral or accretive
Balance Sheet	■ Group LDR improved to 108%, Core 94% ■ 2012's term funding requirement reduced to c. £10bn[1]; will repay all CGS debt by Q2 ■ Provision balance up £1.8bn in the year to £19.9bn, REIL coverage at 49%
Capital position	■ Core Tier 1 ratio robust at 10.6%, including CRD3 impact; lower APS benefit ■ Well-positioned to support business plan and absorb further regulatory capital increases

Questions?