

Largely Recovered... Targeting “Really Good” Bank

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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, 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; regulatory investigations; the Group's future financial performance; the level and extent of future impairments and write-downs, including sovereign debt impairments; and the Group's potential exposures to various types of political and 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: 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 of certain assets and businesses required as part of the State Aid restructuring plan; organisational restructuring in response to legislative and regulatory proposals in the United Kingdom (UK), European Union (EU) and United States (US); the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; litigation, government 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 US; 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 UK, the US and other countries in which the Group operates or a change in UK 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 and their potential implications and equivalent EU legislation; 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 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

Our vision

Restructuring - nearing the finishing line

Core businesses - retooling well underway, performance stable

The RBS equity story & milestones

Recap

We are striving to this end...

Our purpose	To serve our customers well
Our vision	To be trusted , respected and valued by our customers, shareholders and communities
Our values	Serving Customers Working together Doing the right thing Thinking long-term

This is not the position we started from in 2009

We have a clear ambition to serve customers well and **build a really good bank.**

“Really Good” Bank viewed through various stakeholder lenses



■ Progress evident... but much more to do

End state destination increasingly clear...



Enduring customer franchises

- A leading UK bank anchored in Retail & Commercial business lines
- Sustain strong capabilities internationally and in financial markets to support the needs of our customers and shareholders
- Top tier competitor in our chosen fields

Safer and more focused

- Businesses with disciplined focus on what we do well
- Profit earned by serving our customers well
- Strong risk management processes
- Only lending as much as we raise from deposits
- Capital and liquidity strength meeting the highest international standards

A valuable, private sector bank

- Consistently profitable, with sustainable shareholder returns above cost of capital
- 'Standalone strength' regained, no longer needing any Government support
- A leader in transparency and 'investor friendly' orientation
- The Government selling down its shares

Agenda

Our vision

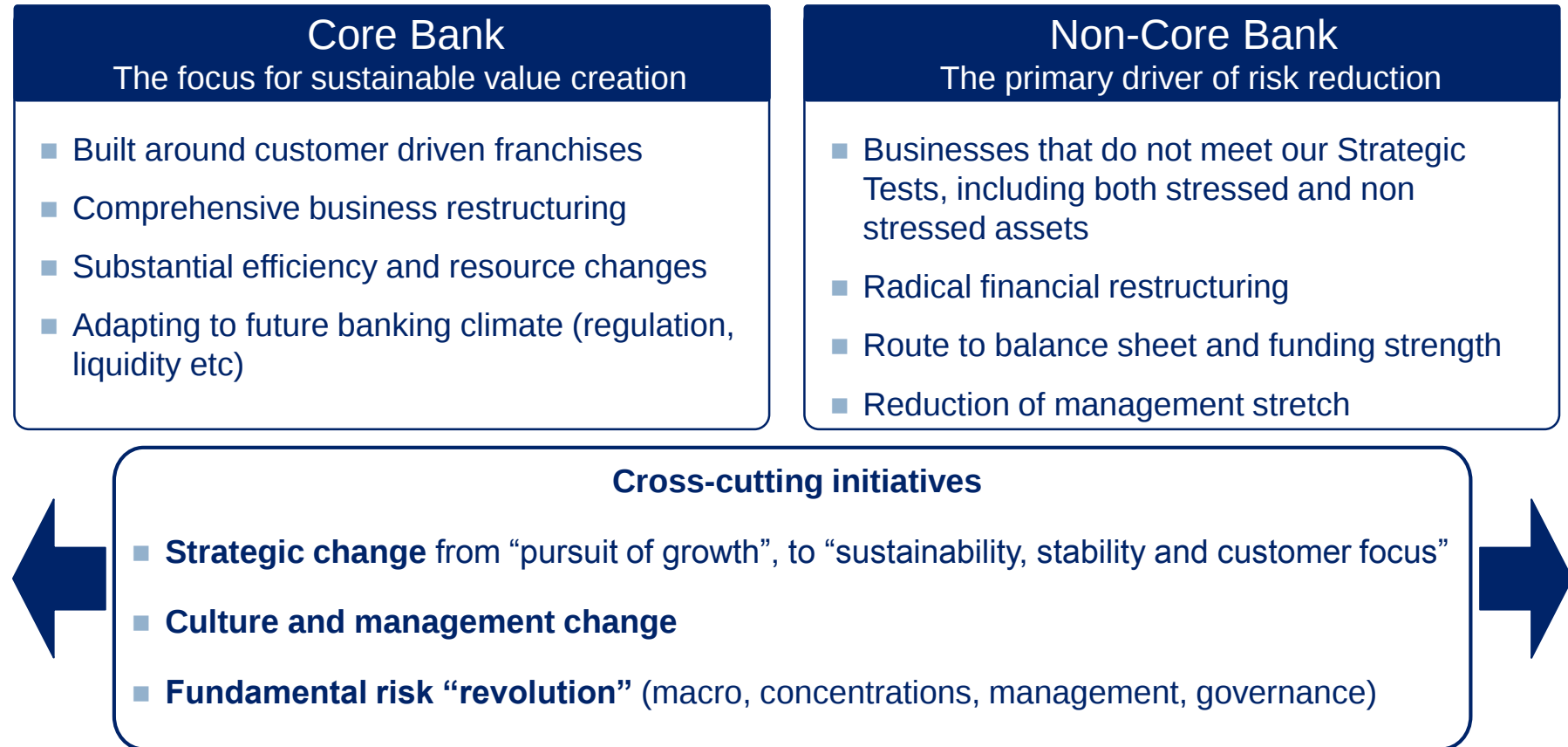
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Core businesses - retooling well underway, performance stable

The RBS equity story & milestones

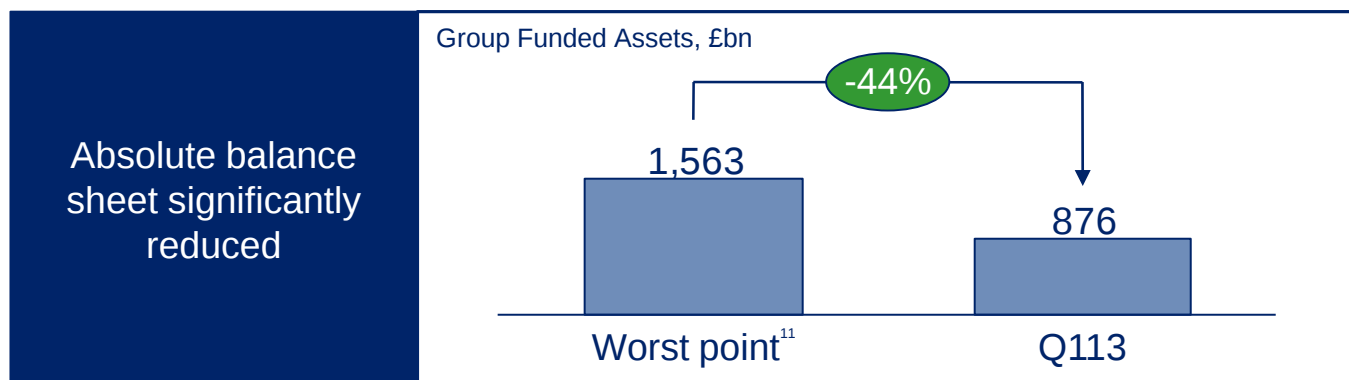
Recap

A quick reminder – Implementing our strategy



Huge progress in Safety & Soundness agenda

Group – Key performance indicators	Worst point	Q113	Medium-term target	} Achieved
Loan : deposit ratio (net of provisions)	154% ¹	99%	c.100%	
Short-term wholesale funding ²	£297bn ³	£43bn	<10% TPAs	
Liquidity portfolio ⁴	£90bn ³	£158bn	>1.5x STWF	
Leverage ratio ⁵	28.7x ⁶	15.0x	<18x	
Core Tier 1 Capital ratio	4% ⁷ B2 ⁸	10.8% B2.5 ⁹	>10% BIII ¹⁰	

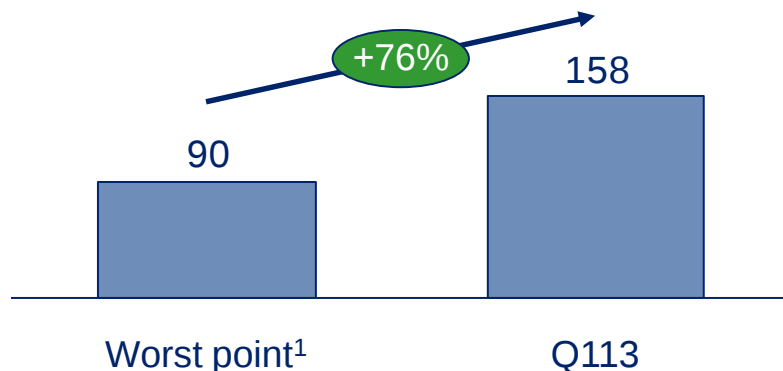


¹ As at October 2008. ² Unsecured wholesale funding <1 year to maturity. Including bank deposits <1 year. Excluding derivatives collateral. ³ As of December 2008. ⁴ Eligible assets held for contingent liquidity purposes including cash, government issued securities and other securities eligible with central banks. ⁵ Funded tangible assets divided by Tier 1 Capital. ⁶ As of June 2008. ⁷ As of 1 January 2008. ⁸ Based on Basel II Regulatory Requirements. ⁹ Includes impact of CRD3 Regulatory Requirements. ¹⁰ Fully compliant under Basel III Regulatory Requirements. ¹¹ Statutory funded assets at 31 December 2007

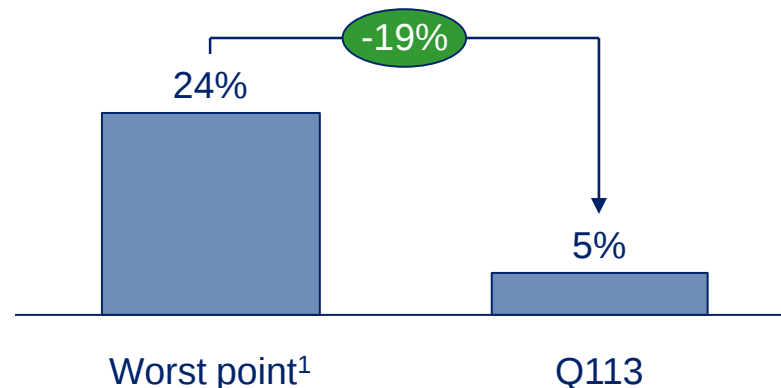
Funding and liquidity positions robust, risk much reduced

Liquidity buffer substantially increased

£bn

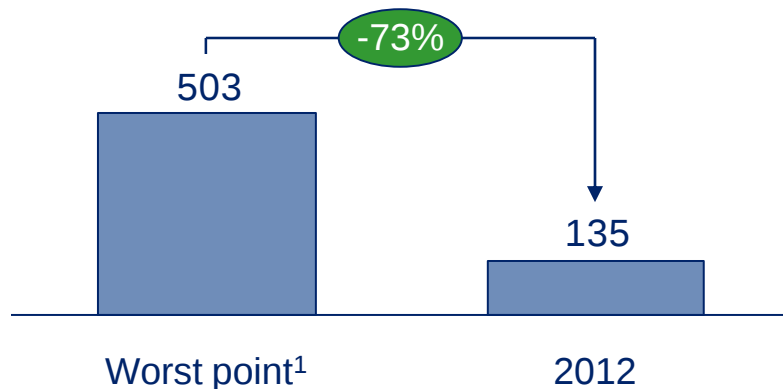


STWF² as % Funded Balance Sheet



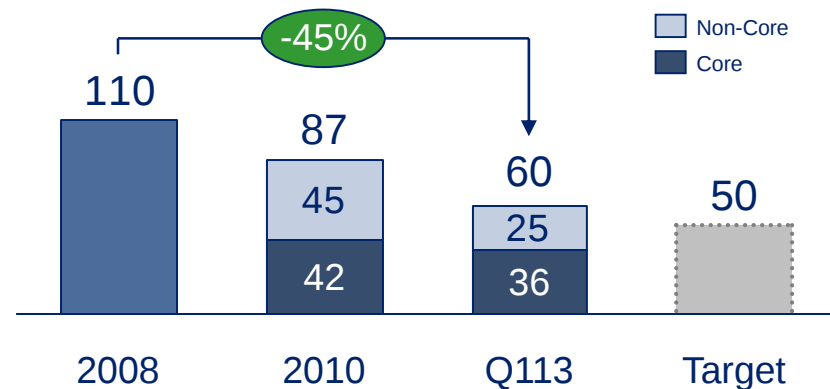
Declining Corporate Single-Name Concentrations

Number of Single Name Concentrations³ in breach of internal risk appetite



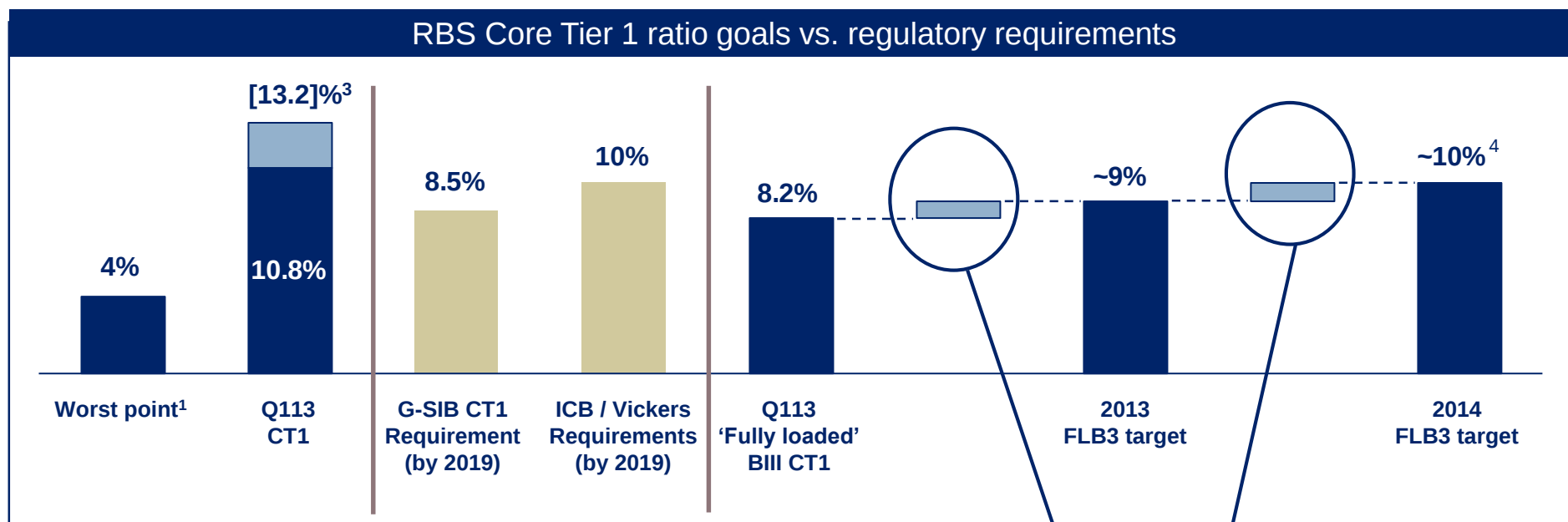
Total Group Commercial Real Estate exposure

£bn



¹ As at December 2008. ² Short-term Wholesale Funding; comprises the sum of all the Group's outstanding debt securities, subordinated liabilities and wholesale bank deposits with a residual maturity of less than one year, excluding derivative collateral. ³ 2009 methodology includes all counterparties graded AQ1 - AQ8. 2012 methodology includes AQ9-AQ10 in the population but excludes counterparties in Global Restructuring Group which have an exit strategy, counterparties with known technical and systems issues and undrawn, uncommitted exposures. The 2012 methodology also applies certain product scalars and includes banking book issuer risk.

Aim to fulfil Basel and ICB capital requirements c.5 years early



- We expect to be above the G-SIB 2019 requirement by end 2013
- We are on a clear path towards an even stronger >10% CT1² ratio as we return to profitability

Key contributors to capital build

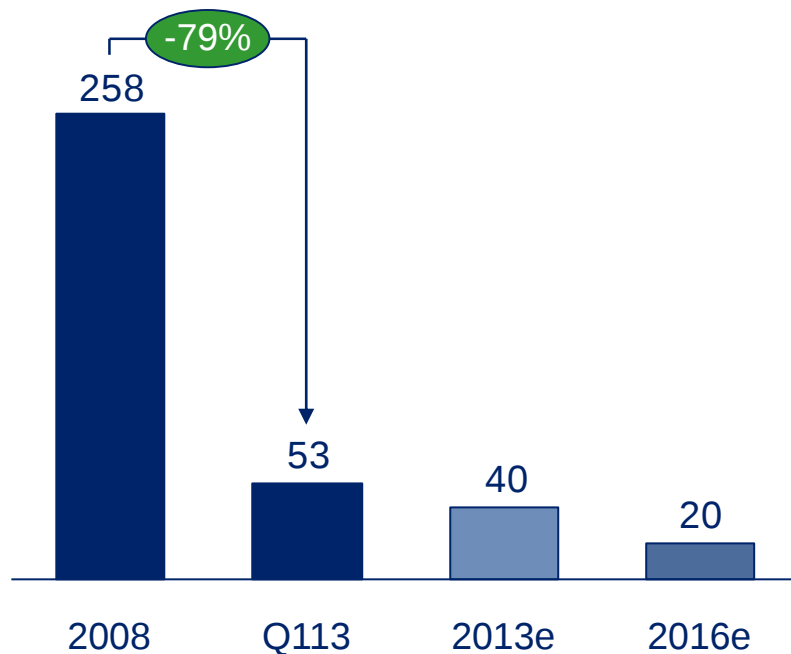
- Markets and Non-Core shrinkage
- CRDIV mitigation
- Lower expected loss and DTAs
- Attributable profit starting to come through

¹ As of 1 January 2008. ² Fully-loaded Basel III. ³ 10.8% reported CT1 ratio after absorbing c.240bps of regulatory uplifts over the past few years. ⁴ Pro-forma for impact of Rainbow divestiture.

Non-Core will move to more passive management after 2013

Excellent progress in Non-Core reduction

Non-Core Third Party Assets, ex. derivatives, £bn



- £205bn assets removed to date
- Remain on target to achieve 2013 year end target of £40bn funded assets

Post 2013 management approach

- Two major asset pools for management:
 - Corporate and other assets of low yield but generally good credit quality
 - CRE including Ulster, c.50% in longer-term run-off and / or in work-out
- Rump costs expected to decline materially in 2014
- Move toward more passive management as no major disposals planned
- Core divisions to manage their geographic legacy assets
- Global Restructuring Group (GRG) will actively continue to manage down stressed assets. Focus on optimising recovery rates and releasing capital
- 50% expected to run-off by end 2016
- Balance is stressed and longer maturity assets

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Our vision

Restructuring - nearing the finishing line

Core businesses - retooling well underway, performance stable

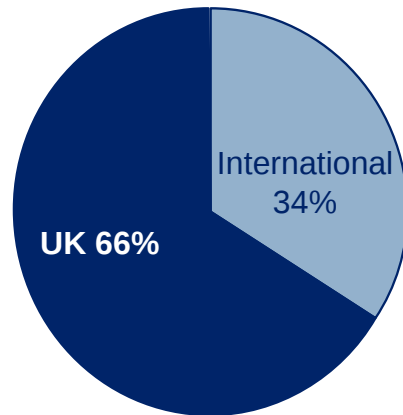
The RBS equity story & milestones

Recap

RBS Core business - where do we stand now

UK focus; International reach

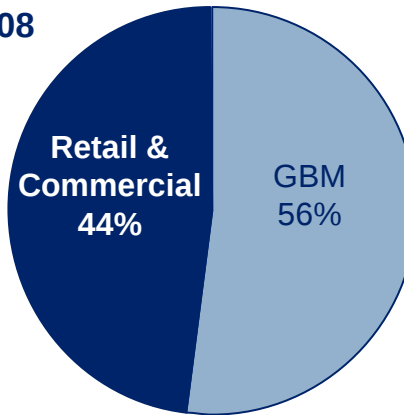
2012 Revenue by Geography, %



Majority of capital allocated to retail and commercial businesses

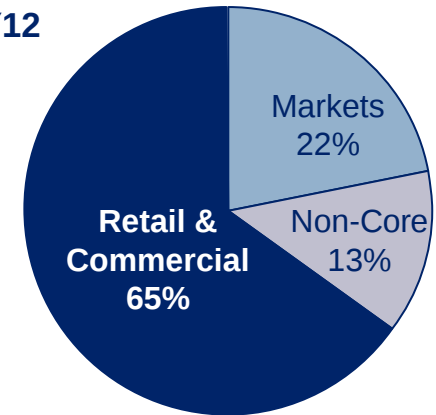
Funded Assets by Business Line, %

2008



RWAs by Business Line, %

FY12



Geographic presence rationalised

- Wholesale:
 - Exited 18 countries
 - Target client universe from 26,000 to 5,000
- Retail:
 - Exited 8 countries
 - Now 3 key markets: UK, US and Ireland

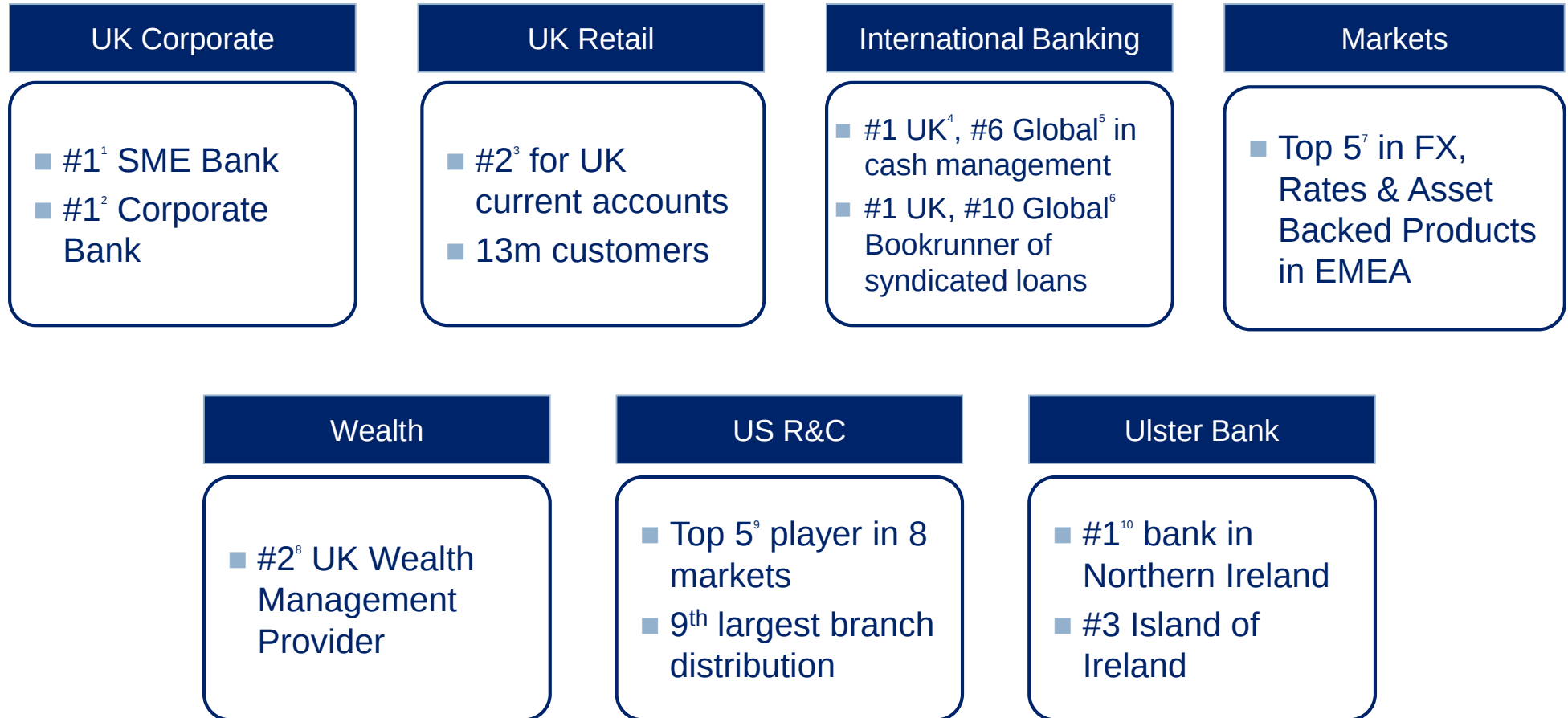
Products exited

- Project financing
- Asset Management
- Structured Asset Finance
- Non-Conforming ABS
- Equities, ECM, Corporate Broking
- M&A

Businesses exited

- We have exited or will exit:
- Commodities business – Sempra
 - World Pay
 - DLG (sold to below 50%)
 - Asian, EME and LatAm Retail
 - Aviation Capital
 - Wealth in Africa, LatAm & Caribbean

We have sustained Core customer market positions

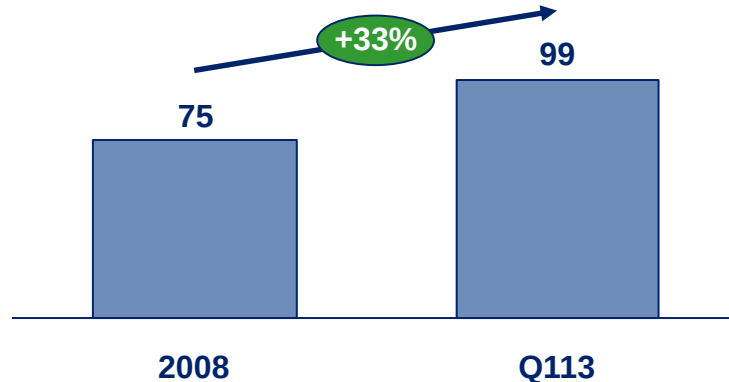


¹ RBSG 26% main bank market share. Chaterhouse Business Banking Survey Q2 2012. ² pH Group (Experian). ³ GfK NOP Financial Research Survey (FRS) 6 months ending June 2012, market share of all current accounts, UK Retail includes RBS, NatWest and Coutts. ⁴ Ranked #1 for market footprint UK, 2012 Greenwich Share Leader – European Large Corporate Cash Management. ⁵ Euromoney results for Corporates, FY11. ⁶ Dealogic Loans Review H112. ⁷ Coalition and RBS estimates, FY12. ⁸ Deposits and investments excluding lending, June 2012. ⁹ Deposit market share data, FDIC. ¹⁰ PWC annual survey for Corporate; IPSOS MORI for Retail.

Our record on UK lending is strong

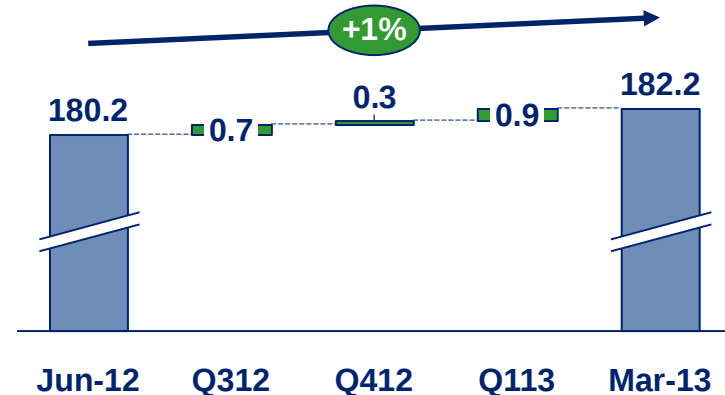
Supporting Homeowners

UK Retail gross mortgage balances, £bn



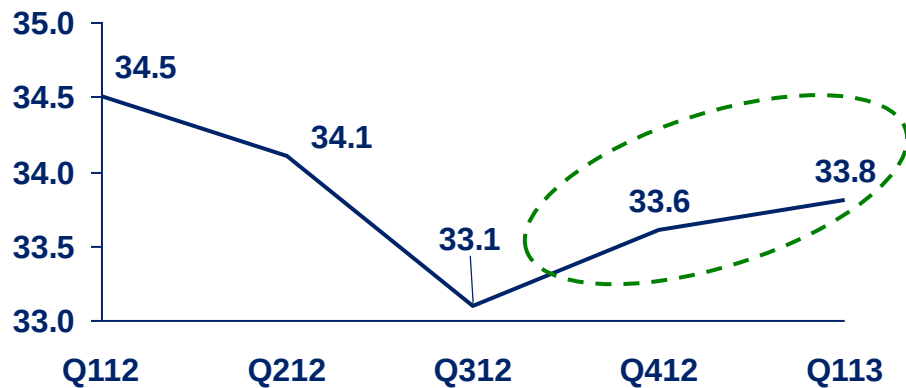
Support for British Businesses

FLS UK 'Real Economy' lending¹, £bn



Support for Small Businesses

SME Core² 'Real Economy' balances now starting to grow, £bn



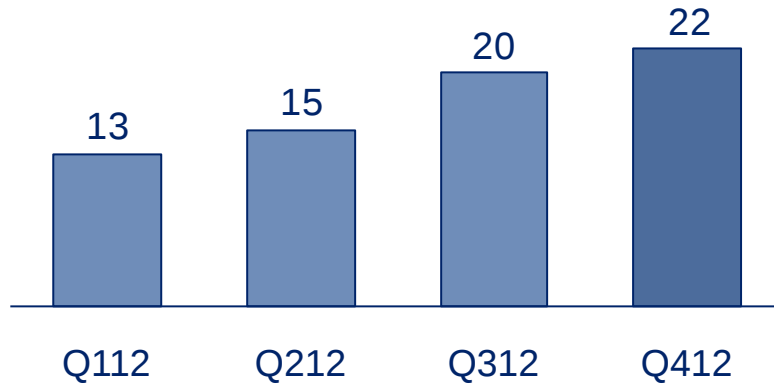
- Initial signs of Core² SME lending starting to grow again
- Market share of new UK mortgage lending in 2006-8 was 5.7%. For 2009-12 this averaged 11%
- UK Retail mortgage balances have risen 33% since 2008 to £99.1 billion in Q113 in a market that has risen by only 3%
- In Q113, accounted for 35% of all SME lending in the UK, compared with overall customer market share of 24%³. Over 90% acceptance rate

¹ RBS Core lending per FLS, excl. Commercial Property and adding Lombard Finance and Invoice Finance. After adjusting for write-offs between Jul-12 and Mar-13. ² Core SME lending excl. Commercial Property. ³ British Bankers' Association and RBS internal data.

Focused on serving customers well, though can do better

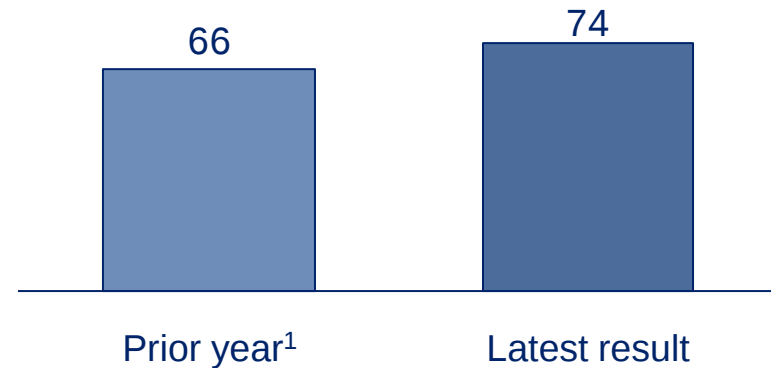
Citizens

Citizens Consumer Net Promoter Score, %



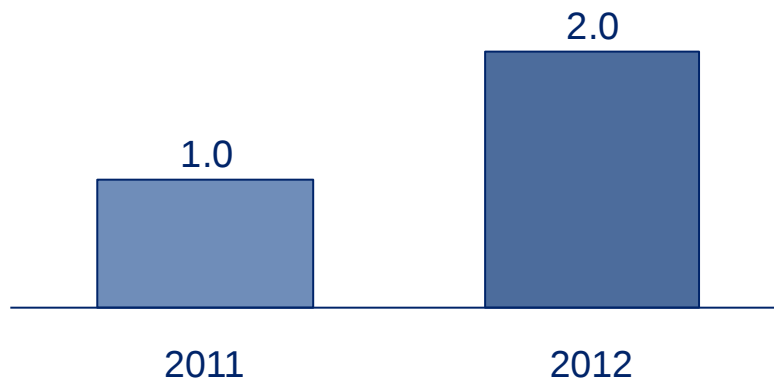
UK Corporate

Relationship Manager Satisfaction for C&IB Clients, %



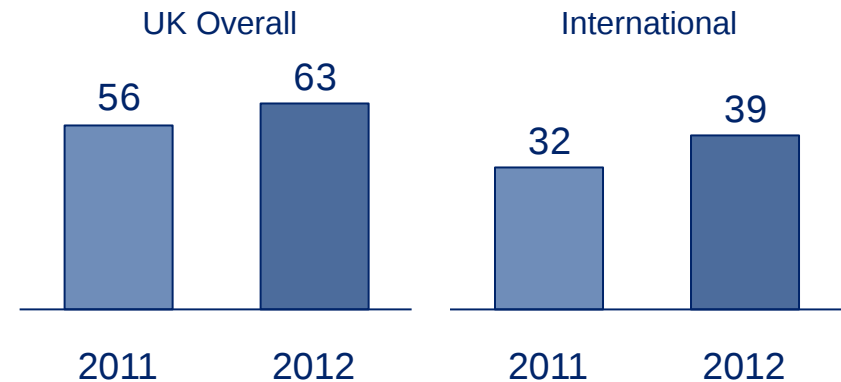
UK Retail

RBS & NatWest active mobile users², millions



International Banking

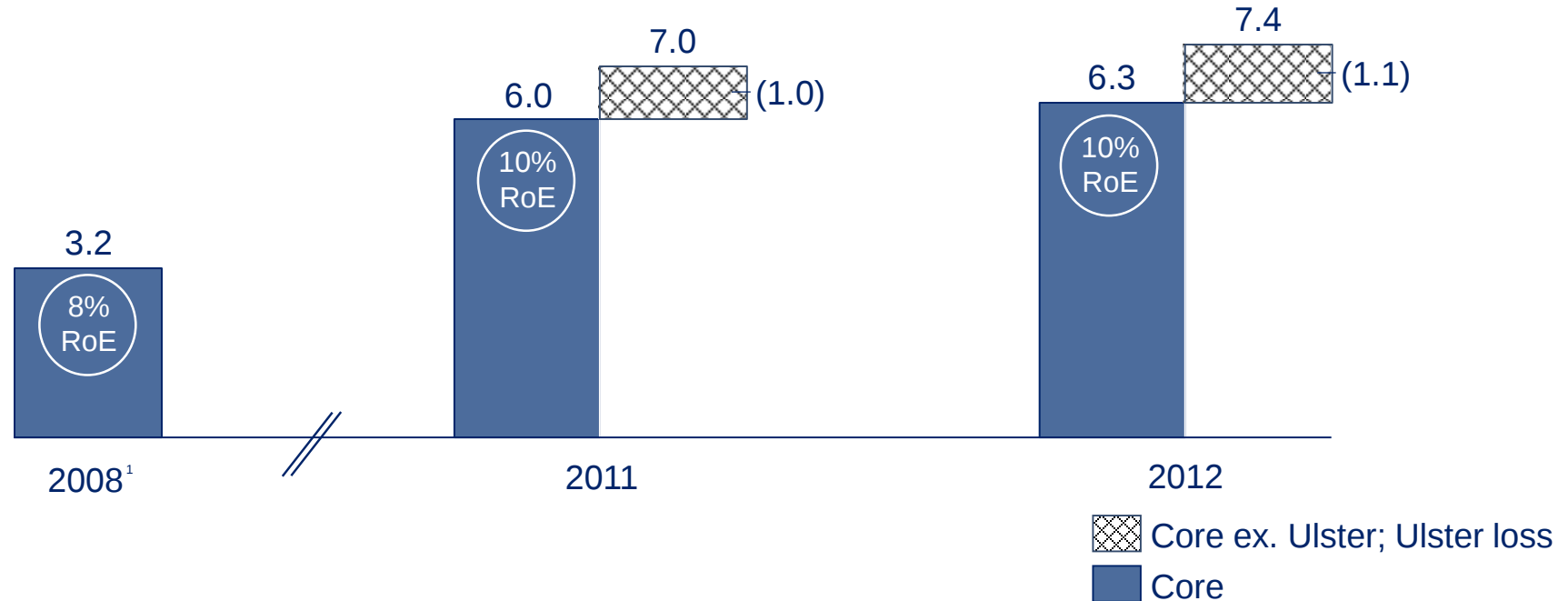
International Banking, Cash Management Market Penetration³, %



¹ Latest result = Q312, Prior Year Q311. ² Represents customers actively using mobile services for transactions or alerts. ³ Cash Management Survey Greenwich data.

Underlying Core earnings power has been rebuilt

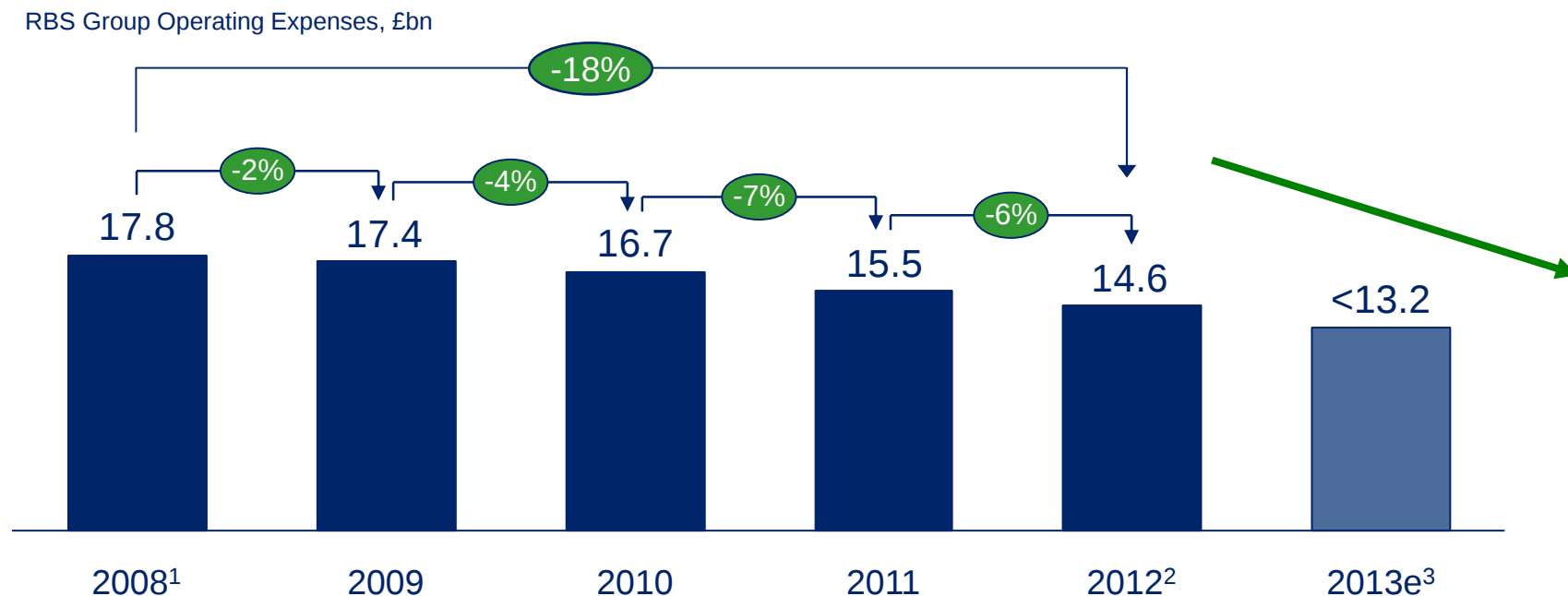
RBS Core Operating Profit, £bn



- Stable Core earnings despite Ulster headwinds and business realignment
- Ulster loss normalisation will counter DLG, Rainbow divestments, Markets downsize
- Significant operating leverage to future economic improvement

¹ Excludes FVoD

Consistent cost reduction, with plans to go further

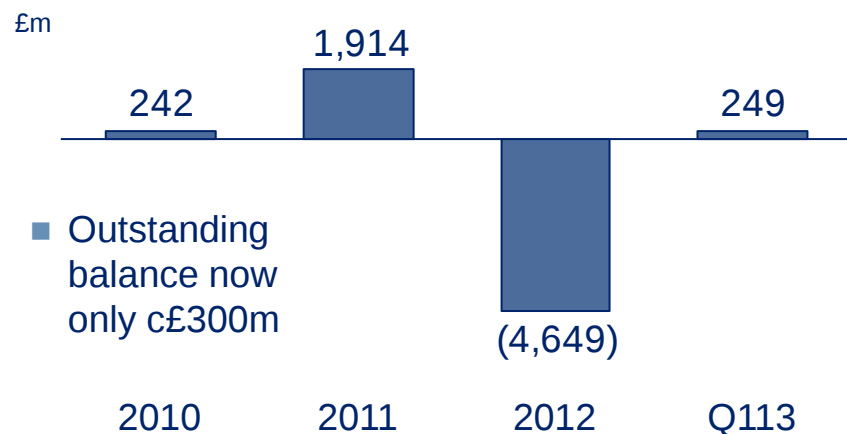


- The Group has a strong track record on cost management, and we expect to maintain that discipline
- There are further substantial savings we can realise, while at the same time continuing to improve customer experience in all our divisions
- We expect to deliver Group operating costs (ex. DLG) below market consensus expectations of c£13.2 billion this year, with further meaningful cost reductions in 2014 and 2015
- Continue to target, medium term, an underlying cost:income ratio of 55% for the Group

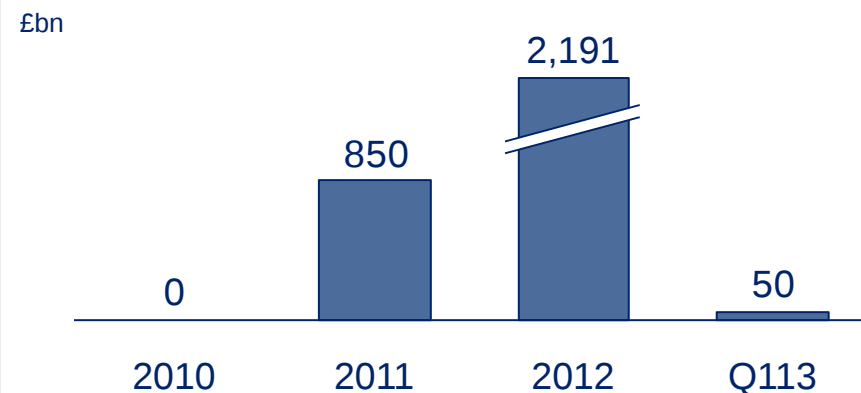
¹ Rebased, excluding non-repeating items. ² For consistency of comparison, historic cost performance not restated for changes to IAS 19. ³ Excluding Direct Line Group

Below the line items drag at high water mark in 2012

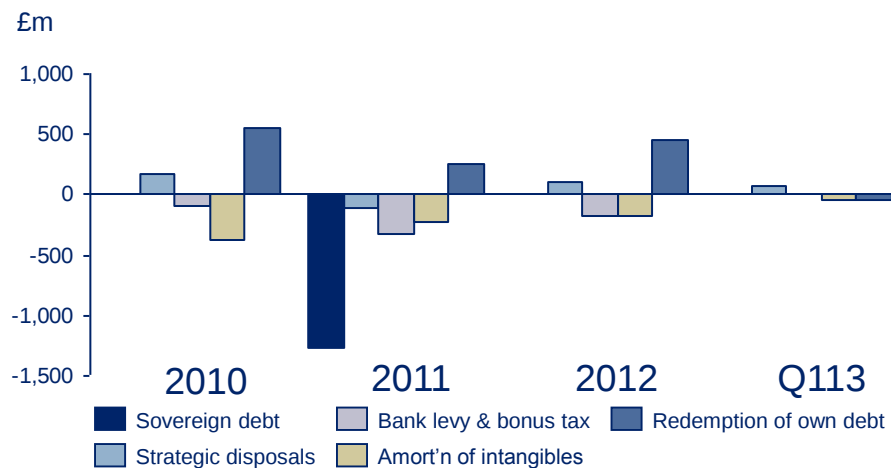
OCA - Credit spreads improved and more stable



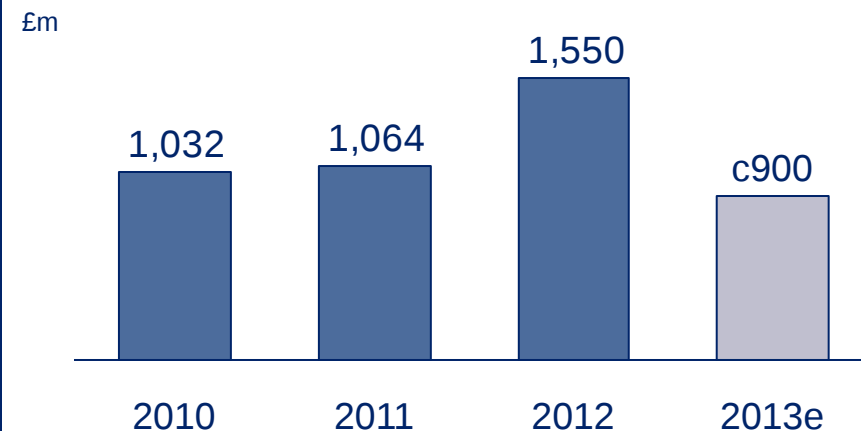
Regulatory fines - greater clarity on provisioning



Other 'below the line' noise reduced



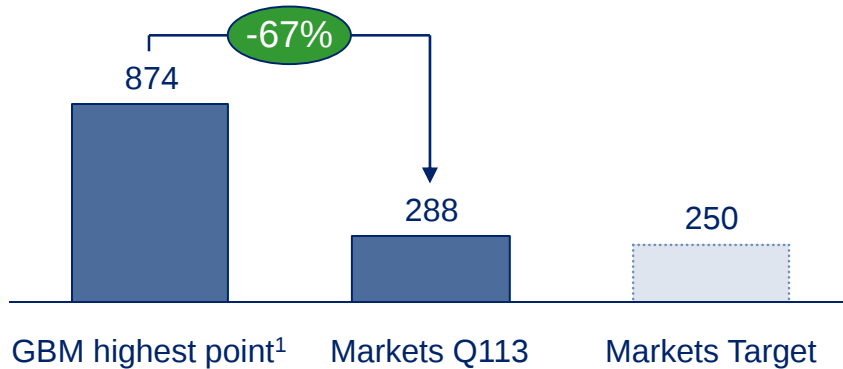
Restructuring costs will stay high in 2013



Markets - We've set out a clear strategy and delivered

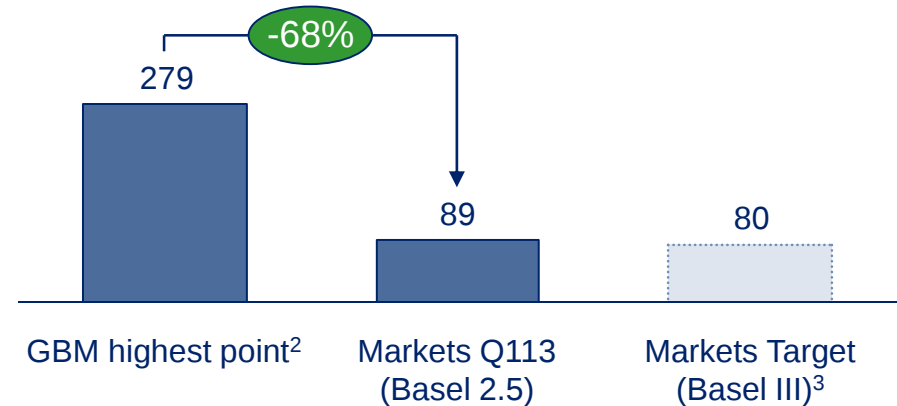
Assets reduced by over 2/3rds since peak

GBM / Markets TPAs, £bn



Good RWA progress despite regulatory uplifts

GBM / Markets RWAs, £bn



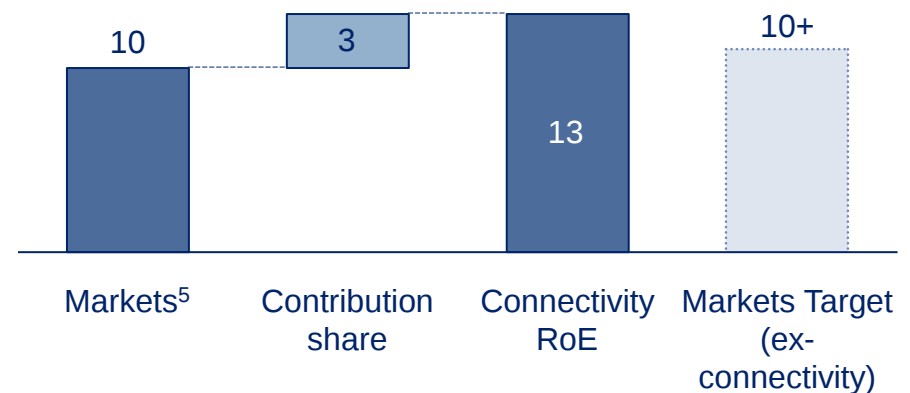
Costs have been reduced – more to do

GBM / Markets Expenses, £bn



While generating solid returns

2012 Markets RoE, %



¹ FY 2007. ² As at FY 2008. ³ Including run-off businesses. ⁴ GBM FY 2007 proforma costs, includes manufacturing allocation, does not include Central costs. ⁵ Ongoing business.
Note: GBM included businesses now reported in Non-Core or International Banking and other divested businesses.

Markets – An appropriate future size and shape

Simpler business model and product offering

Focus on fixed income product suite only (FX, Rates, DCM/Credit and Asset Backed Products), where Markets is highly competitive

Led from the UK, with trading hubbed in 4 major financial centres, and supporting the International Banking network

Key areas for exit or run-off: structured retail investor products, equity derivatives, peripheral market making activities

Highly connected through the Group

Focus on Corporates in support of Group's leading customer positions in UK Corporate and International trade, intermediating risk through Markets' access to financial institutions

Capable of generating appropriate medium-term returns

Target reported Return on Equity ~10%
Inter-divisional revenues improves total Group return to ~14%

Target £80bn Basel III RWAs in medium term
Q113 RWAs £89bn (Basel 2.5) on reported basis

Future capital consumption implies c.£1bn pre-tax, c.£0.8bn post-tax profit to support RoE target
Future shape £3-3.25bn revenues and £2-2.25bn costs

Target 2 year timeline for implementation

Expect operating cost reduction to lag revenue reduction in short-term
Forecast c.£0.8bn associated restructuring costs 2013-14

Next phase of delivery at Citizens

An attractive franchise....

- Top 5 market ranking in 8 out of our 10 major operating markets
- Catchment of 95 million population, 30% of US GDP

	Deposits	Rank	Share
New England	Boston	#2	18%
	Providence	#1	32%
	Manchester	#1	38%
Mid Atlantic	Philadelphia	#4	8%
	Pittsburgh	#2	9%
	Albany	#3	13%
	Rochester	#4	10%
Mid West	Cleveland	#4	10%
	Detroit	#6	5%
	Chicago	#12	2%

Long-term growth potential

- US offers superior long-term growth prospects versus UK market
- Strong incumbent position in fragmented market, allows us to leverage future growth
- In short-term US banks showing more balance sheet growth (US R&C up 4% in 2012)
- Further market consolidation offers strategic options

....but with work to do

Current performance behind peers

- RoE improved but lags peers
- NIM gap reflects asset mix, risk appetite, pricing and hedging
- Income has been impacted by regulation and rate environment
- High cost:income ratio is part revenue, part expense issue

Clear plan for improvement

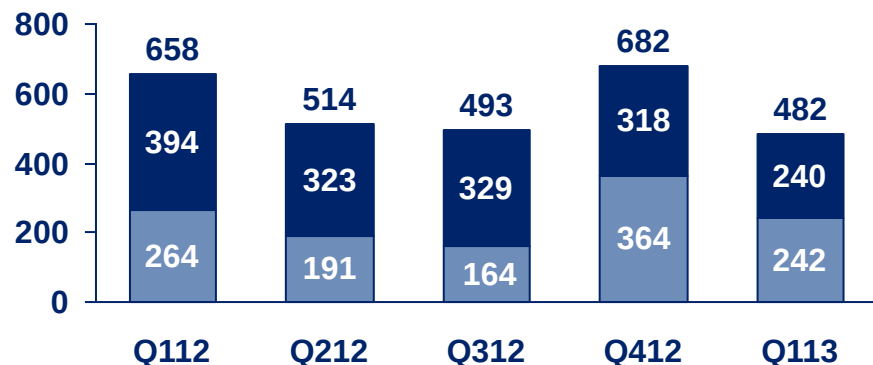
- Seeking to bolster asset mix and NII
- Look to optimise capital structure
- Salesforce enhancements to drive revenue
- Continue to grow Corporate loan book
- Efficiency opportunities in focus
- Steering committee set-up to lead IPO
- Announcement of Management change

Ulster Bank – cautiously optimistic as trends improve

Core / Non-Core impairments by quarter

£m

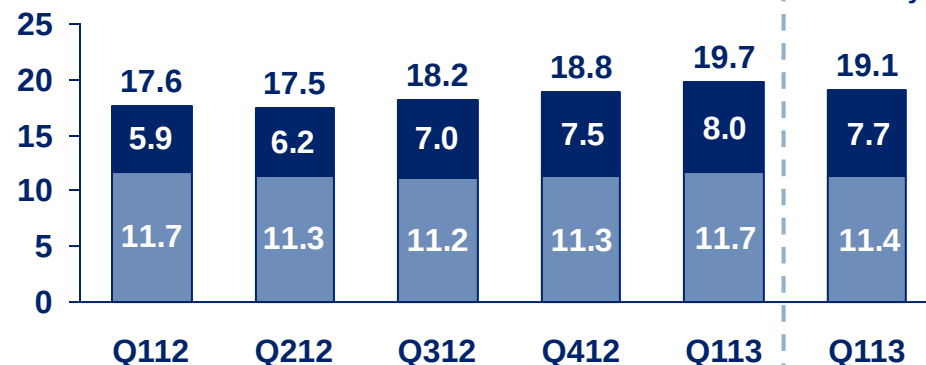
■ Core Impairments ■ Non-Core Impairments



REIL trend

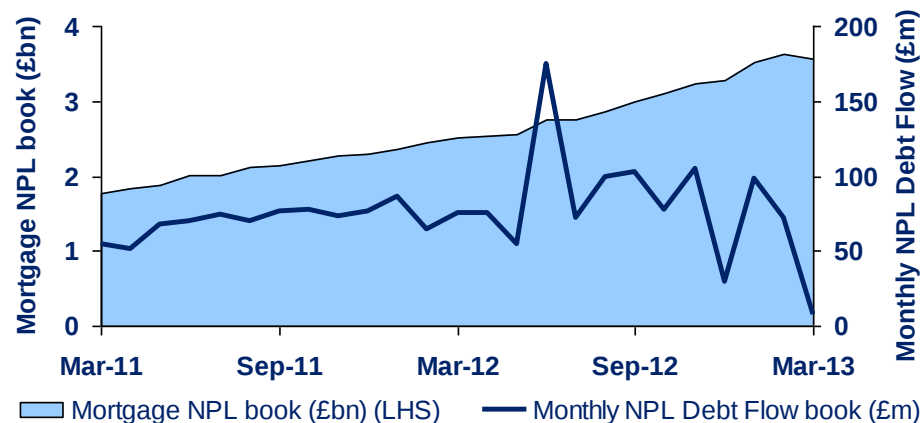
£bn

■ Core REIL ■ Non-Core REIL



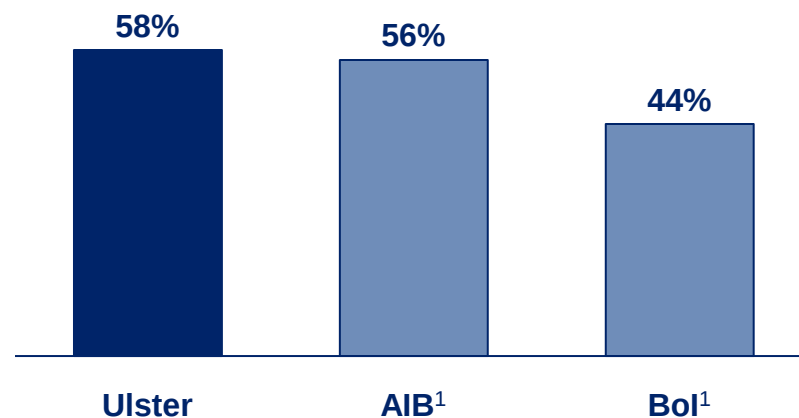
Mortgage delinquencies falling

Mortgage NPL Book/ Monthly Debt Flow to NPL, £m



Provision coverage

Provisions as a percentage of REIL / NPL



¹ RBS estimates for peers within Ireland, excluding UK exposure.

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Recap

We have hit most key milestones

	Milestones	Outcome
1	Preference share coupons	Discretionary coupons resumed in 2012
2	APS	Scheme exited in October 2012 with no claim
3	Repaying government funding & liquidity support	CGS and SLS schemes fully repaid in 2012
4	EC mandated behaviours	In compliance with all balance sheet & business activity requirements
5	EC mandated sales	World pay - Completed Sempra - Completed DLG - Successfully sold below 50% Branch IPO/sale - Process re-launched

Path to 2015

	Milestones	Outcome
1	Capital Ratios	Fulfil Basel (8.5%) and ICB (10%) requirements. Target c.9% FLB3 2013, c.10% 2014 ¹
2	Non-Core	Achieve £40bn TPA target by end 2013
3	Markets	Further reduce RWAs to £80bn by end-2014, versus previous target of £100-110bn
4	Dividend Block / B Shares	Aspire to repurchase Dividend Access Share, simplify the share structure and establish our dividend policy
5	Privatisation	Aspire to facilitate government share sale

¹ Pro-forma for impact of Rainbow divestiture.

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Recap

Restructuring well-advanced... path ahead clear

Serve customers well, and better

Achieve capital targets

Deliver improved earnings

Complete DLG sell-down

Conclude active run-down of Non-Core

Successfully restructure Markets

Complete UK Branch IPO/sale

Partial IPO of Citizens

Work through DAS, B shares and dividend policy

■ Significant progress, good visibility of forward path

Questions
