

Make it happen



**Make it happen**

# Important Information

This presentation may contain forward looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements concern or may affect future matters, such as the Group's economic results, business plans and strategies, and are based upon the current expectations of the directors. They are subject to a number of risks and uncertainties that might cause actual results and events to differ materially from the expectations expressed in or implied by such forward looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, regulatory developments, competitive conditions, technological developments and general economic conditions. These factors, risks and uncertainties are discussed in the Group's SEC filings. The Group assumes no responsibility to update any of the forward looking statements contained in this presentation.

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

The information contained in this presentation is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by the Group. Any person at any time acquiring the securities must do so only on the basis of such person's own judgement as to the merits of the suitability of the securities for its purposes and only on such information as is contained in public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained herein. The information is not tailored for any particular investor and does not constitute individual investment advice.

Information in this presentation relating to the price at which investments have been bought or sold in the past or the yield on investments cannot be relied upon as a guide to future performance.

Make it happen



# 2008 Interim Results

8 August 2008

Make it happen



**Sir Tom McKillop**

Chairman

# 2008 Interim Results

	<i>1H07</i>	<i>1H08</i>
Group profit/(loss) before tax (£m)	5,115	(691)
Underlying operating profit (£m)	5,322	5,144
Basic earnings per share (pence)	22.8	(4.7)
Adjusted earnings per share (pence)	23.6	21.3

- Capitalisation issue in place of interim dividend
- 1 new share for every 40 held, in line with last year's interim dividend
- Intention to pay final dividend in cash

Make it happen



**Guy Whittaker**

**Group Finance Director**

# 2008 Interim Results

	<i>£m</i>	<i>%</i>
Total income	16,835	-1
Pre-impairment profit	6,623	+6
<b>Operating profit</b>	<b>5,144</b>	<b>-3</b>
Credit market w/downs	(5,925)	
Other items	90	
<b>Loss before tax</b>	<b>(691)</b>	

## Key Messages

- Costs reduced £118m
- Insurance claims down £488m
- Impairments up £543m
- Write-downs in line
- Core Tier 1 5.7%
- Tier 1 8.6%



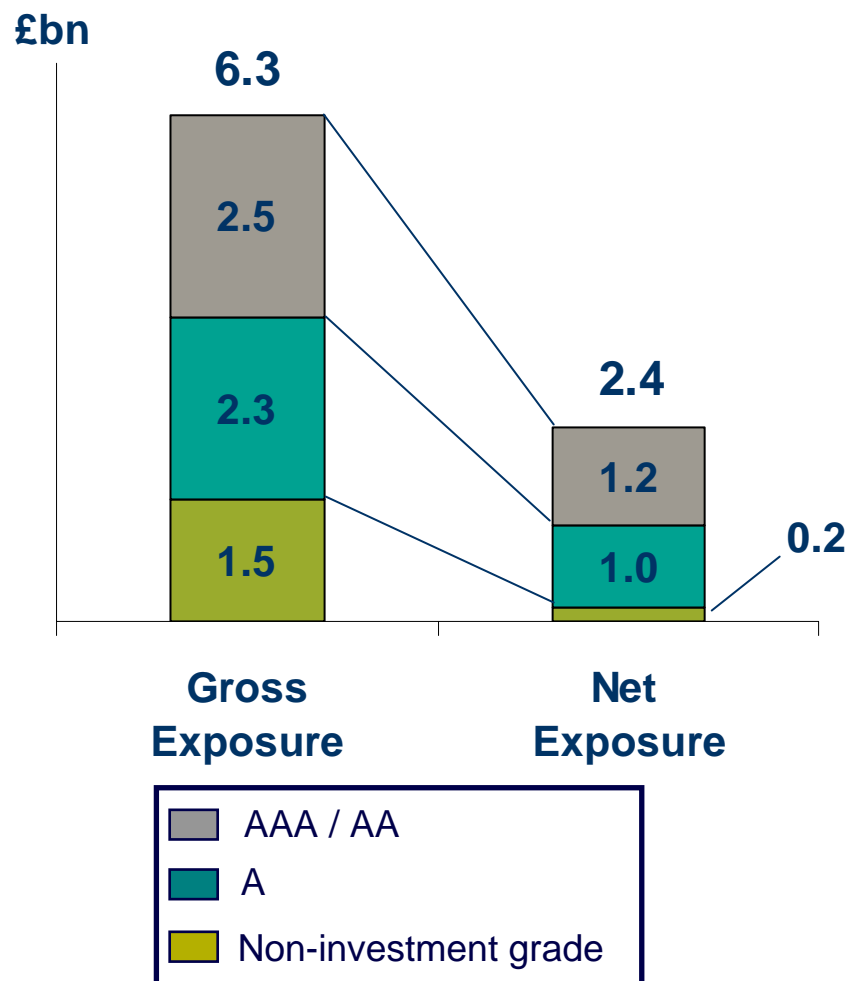
# Credit Market Write-downs

*In line with April estimates ...*

<i>£bn</i>	<i>Net Current Exposure</i>	<i>Net Avg Price</i>	<i>W/downs June 08<sup>(1)</sup></i>	<i>W/downs April est<sup>(1)</sup></i>
ABS CDOs	2.0	40%	(1.9)	(1.9)
US Residential	1.9	59%	(1.0)	(1.2)
US Commercial	1.5	87%	(0.1)	(0.2)
Monoline Exposures	2.4	n/a	(2.1)	(1.8)
Leveraged Loans	10.8	92%	(0.9)	(1.3)
CLOs	1.1	84%	(0.1)	(0.1)
<b>Sub-total</b>			<b>(6.1)</b>	<b>(6.4)</b>
Hedges			0.2	0.5
<b>Total</b>			<b>(5.9)</b>	<b>(5.9)</b>

(1) Write-downs before tax

# Monoline Exposures by Rating

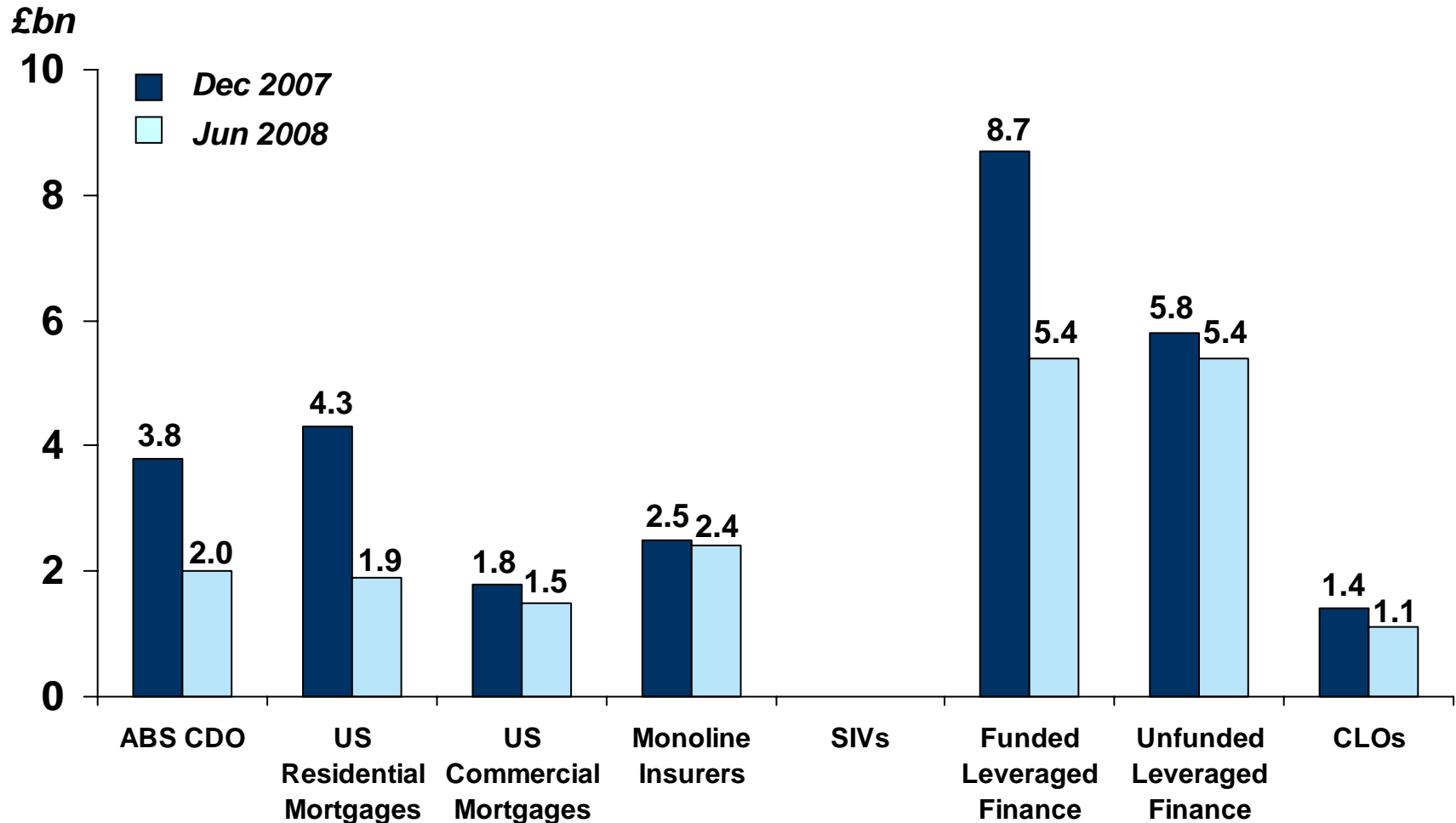


## Key Messages

- Net exposure £2.4bn
- Non-investment grade £0.2bn
- 62% exposure covered
- Reserves and hedges £3.9bn
- CDO/RMBS gross exposure £3.7bn

*Ratings as at 30 June  
and based on lower of S&P/Moody's*

# Reduction in Credit Market Net Exposures



# Divisional Operating Profit

	<i>£m</i>	<i>%</i>
<b>Global Markets</b>		
– Global Banking & Markets	2,184	-17
– Global Transaction Services	665	+15
<b>Regional Markets</b>		
– UK Retail & Commercial Banking	2,117	+8
– US Retail & Commercial Banking	368	-42
– EME Retail & Commercial Banking	250	+13
– Asia Retail & Commercial Banking	16	–
RBS Insurance	403	+56
Central costs	(859)	-9
<b>Group</b>	<b>5,144</b>	<b>-3</b>

	<i>£m</i>	<i>%</i>
Total income*	5,306	-10
Direct expenses	2,607	-14
Impairment losses	294	n/a
Contribution	2,405	-15
Group Manufacturing	221	+5
Operating profit	2,184	-17
	<b><i>£bn</i></b>	
Total third party assets	762.8	-7
Customer deposits	96.5	+16
RWAs**	211.9	-1

## Key Messages

- Rates, Currencies & Commodities +87%
- Impairments up £178m on 2H07
- Credit markets weak
- De-risking balance sheet
- Assets down £108bn on Dec 07
- Ex-Sempra RWAs down 10%

\* Income before credit market write-downs and one-off items

\*\* RWAs vs. 1<sup>st</sup> January 2008 (Basel II) – applies to all divisions

# Global Transaction Services

	<i>£m</i>	<i>%</i>
Total income	1,173	+12
Direct expenses	276	+11
Impairment losses	11	+38
Contribution	886	+12
Group Manufacturing	221	+5
Operating profit	665	+15

## *£bn*

Loans & advances	17.1	+15
Customer deposits	58.9	+10
RWAs	17.1	+10

## Key Messages

- Average customer deposits +13%
- International Cash Management +21%
- International Merchant Acquiring +14%
- Trade Finance +60%
- Investment for growth

# UK Retail & Commercial Banking

	<i>£m</i>	<i>%</i>
Total income	5,452	+5
Direct expenses	1,537	+5
Impairment losses	694	-2
Contribution	3,221	+7
Group Manufacturing	1,104	+5
Operating profit	2,117	+8
	<b><i>£bn</i></b>	
Loans & advances	233.6	+12
Customer deposits	191.8	+7
RWAs	159.4	+4

## Key Messages

- Retail impairments fell £50m
- Corporate impairments rose £34m
- Retail Banking profits +9%
- Corporate Banking profits +6%
- Wealth Management profits +14%
- Average deposits +10%

# US Retail & Commercial Banking

	<i>\$m</i>	<i>%</i>
Total income	2,746	+2
Direct expenses	980	+1
Impairment losses		
– Core	388	+311
– SBO	324	+372
Contribution	1,054	-32
Group Manufacturing	328	+5
Operating profit	726	-41

## *\$bn*

Loans & advances	113.7	+2
Customer deposits	104.8	+5
RWAs	110.2	+2

## Key Messages

- Retail growth subdued
- Good Commercial growth
- Strong expense control
- Core impairment charge 73bps
- Core impairments up \$129m on 2H07
- SBO impairment charge 841bps

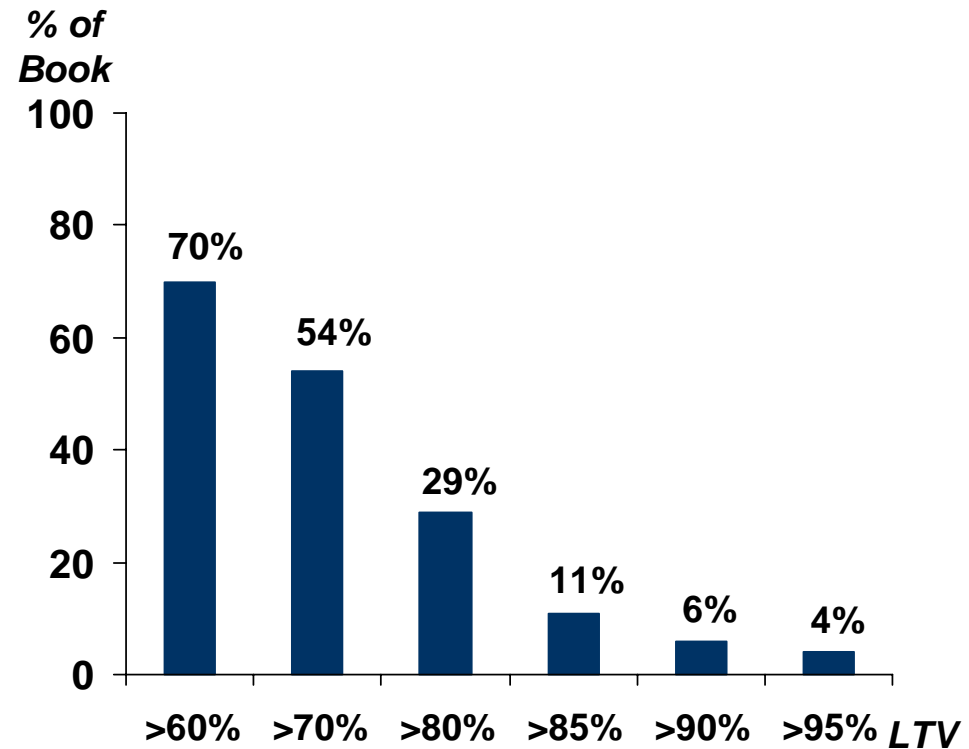
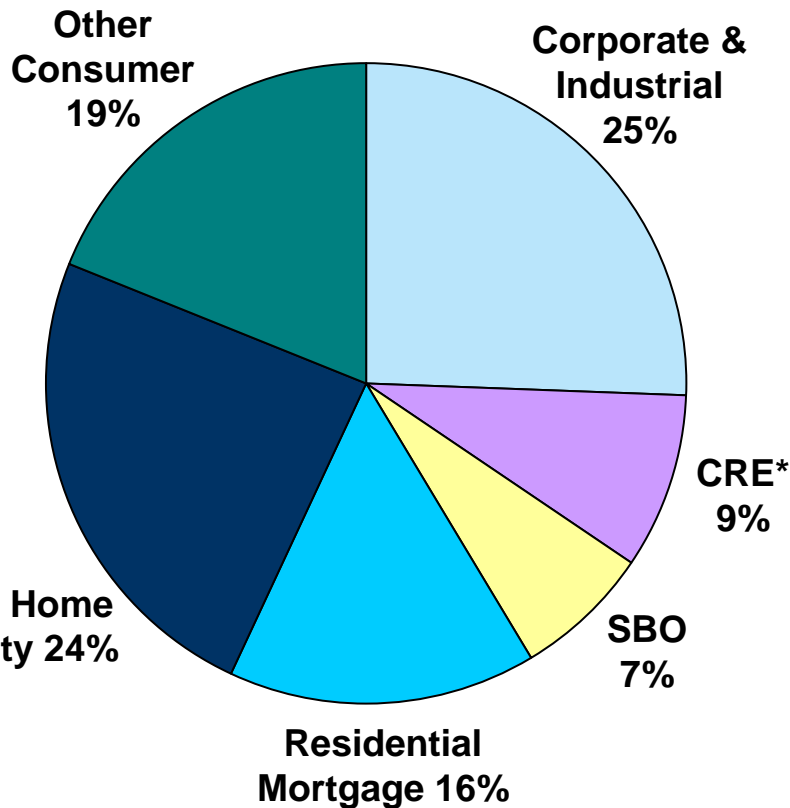


# US Retail & Commercial Portfolio

**Total Portfolio \$114bn**

**Cumulative LTV Distribution**

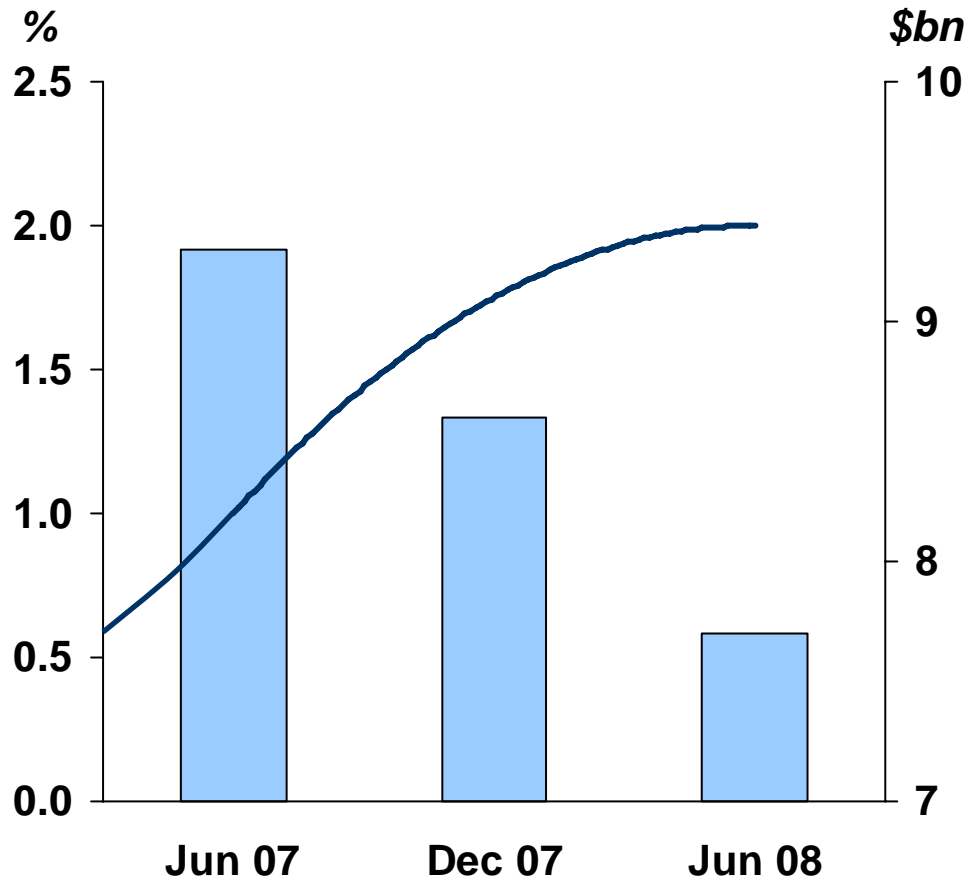
**Residential Mortgage & Core Home Equity**



- Average LTV 64%
- Average FICO 748

\* Commercial Real Estate

# US SBO Portfolio



- Book in managed run-off
- Cumulative provisions \$675m
- Cumulative charge-offs \$262m
- Current provisions \$413m
- Reserve 2.7x NPL
- FICO 721

— SBO delinquencies as % of total outstanding loans

■ SBO total outstanding loans

# EME Retail & Commercial Banking

	<i>£m</i>	<i>%</i>
Total income	805	+19
Direct expenses	293	+27
Impairment losses	96	+43
Contribution	416	+9
Group Manufacturing	166	+5
Operating profit	250	+13
	<b><i>£bn</i></b>	
Loans & advances	51.5	+9
Customer deposits	23.4	+1
RWAs	29.9	-1

## Key Messages

- Benefit from strong euro
- Ulster investment complete
- Impairments +£27m v 2H07
- New business margins rising
- Middle East income +38%

*Balance sheet growth rates at constant FX*

# Asia Retail & Commercial Banking

	<i>£m</i>	<i>%</i>
Total income	391	+24
Direct expenses	204	+30
Impairment losses	61	-
Contribution	126	+30
Group Manufacturing	110	+5
Operating profit	16	n/a

	<i>£bn</i>	
Loans & advances	4.6	+21
Customer deposits	12.7	+34
Spot AUMs	19.9	+16
RWAs	5.3	+8

## Key Messages

- Consumer Finance +28%
- Affluent Banking +24%
- Business Banking +44%
- Private Banking +18%
- Investing for growth

	<i>£m</i>	<i>%</i>
Total income	2,786	-2
Direct expenses	410	+17
Net claims	1,863	-13
Contribution	513	+41
Group Manufacturing	110	+5
Operating profit	403	+56

## Key Messages

- Own brand income +3%
- Partnership income down 8%
- Partnership contribution +18%
- Underlying claims down 6%
- Underlying profit up 5%

# Group Manufacturing

	<i>£m</i>	<i>%</i>
Group Technology	676	+2
Group Property	813	+10
Customer Support	719	+2
Total costs	2,208	+5

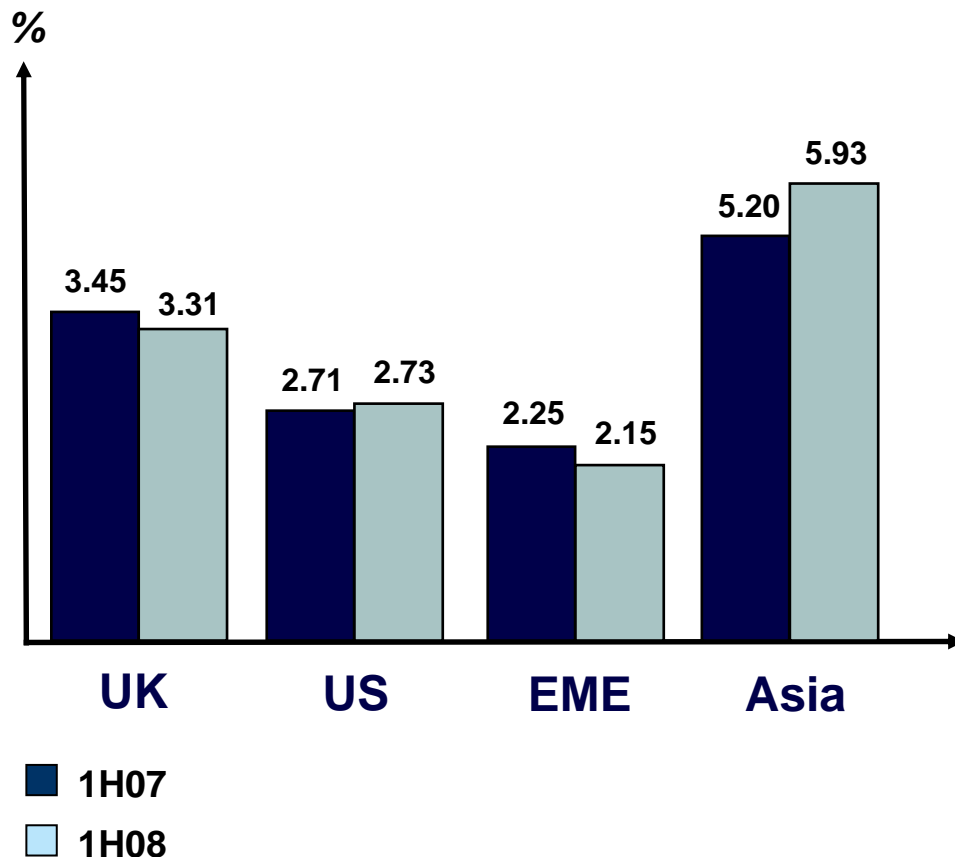
## Key Messages

- Productivity gains
- Continuing investment
- +2% at constant FX

**Group cost:income ratio 48.2%**

# Net Interest Margin

## Retail & Commercial Banking Margins



## Key Messages

- UKR&C mix effect
- Front books margin rising
- Lag effect on back books
- Strong money markets income
- Underlying Group NIM stable

	<b><i>FY07</i></b>	<b><i>1H08</i></b>
Loans & Advances to Customers	£563.7bn	£609.1bn
NPL + PPL	£8.4bn	£9.0bn
NPL + PPL % of Loans & Advances	1.49%	1.47%
Annualised Impairment Charge % of L&A	0.37%	0.46%
Provision coverage of NPL + PPL	59%	56%

*Gross loans and advances to customers excluding reverse repurchase agreements and stock borrowing  
Impairment charge calculation excludes impairments from available-for-sale securities*



<i><b>Proportional Basis</b></i>	<i><b>Jun 08</b></i>
----------------------------------	----------------------

RWAs (£bn – Basel II)	491.7
-----------------------	-------

Core Tier 1 (%)	5.7
-----------------	-----

Tier 1 capital (%)	8.6
--------------------	-----

Total capital (%)	13.1
-------------------	------

## ***Key Messages***

- £12bn rights issue
- Rebased capital targets
- Well ahead at mid year
- De-risking balance sheet
- On track for year end CT1 >6%
- 1H08 consolidated CT1 6.7%
- 1H08 consolidated T1 9.1%

Make it happen



**Sir Fred Goodwin**

**Group Chief Executive**

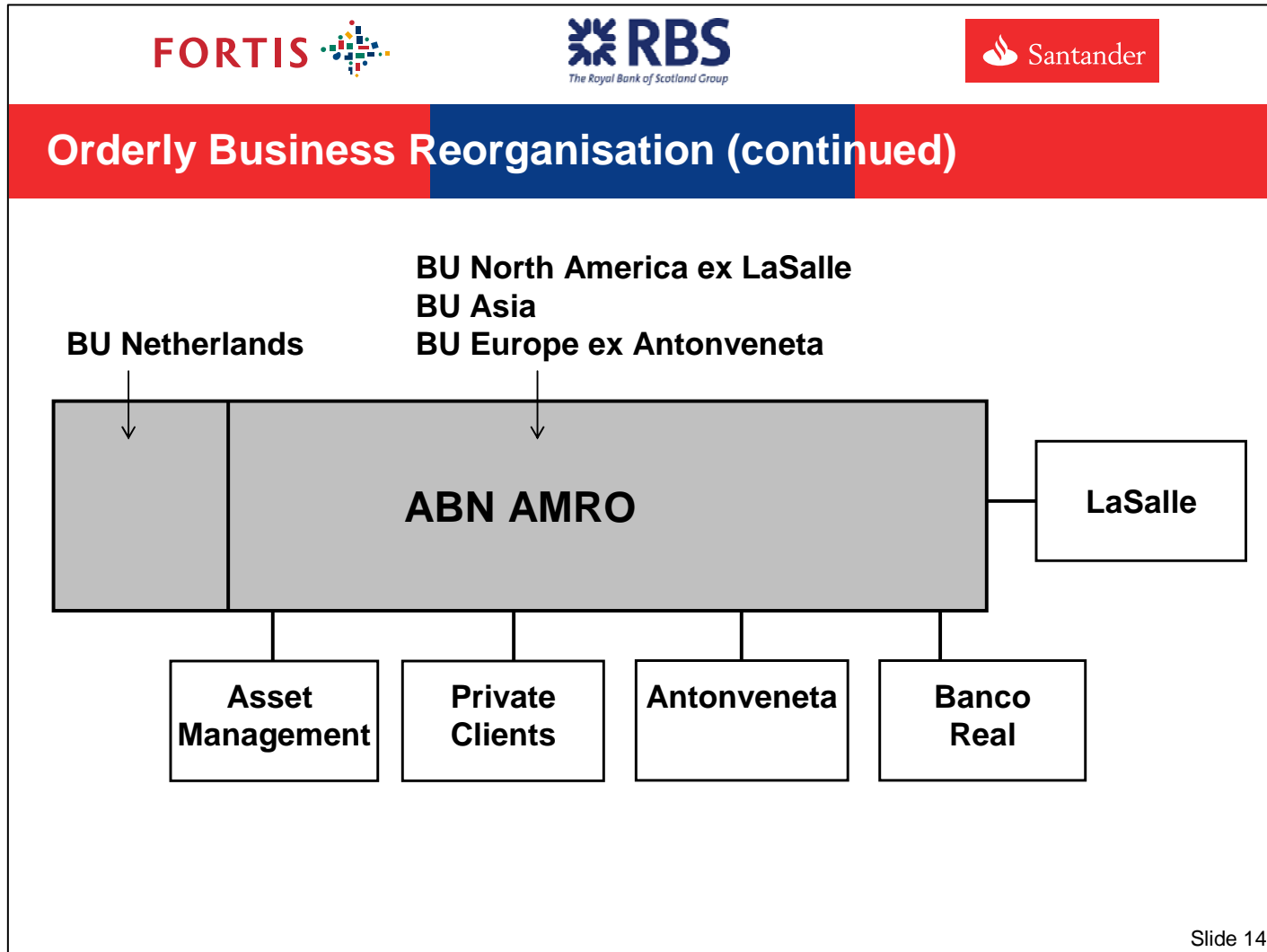
- ABN AMRO separation and integration
- Capital
- Outlook

Make it happen

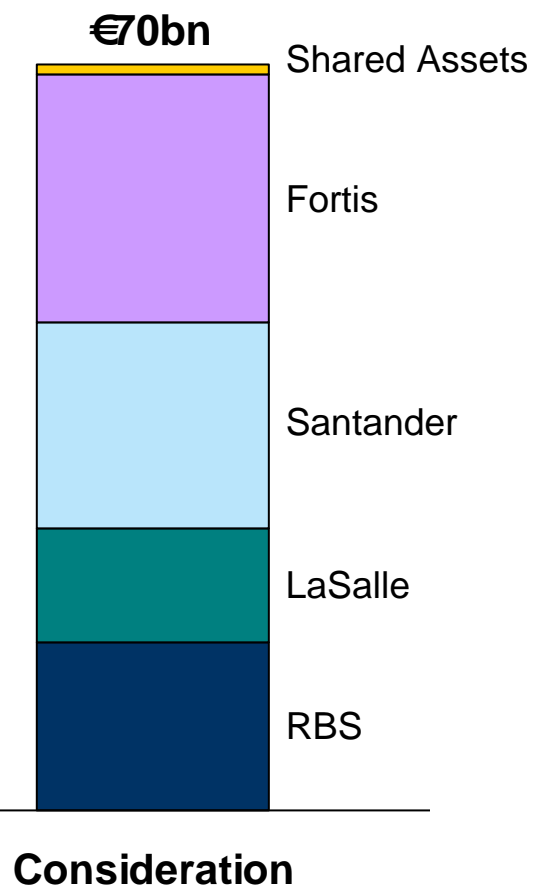


# ABN AMRO Separation and Integration

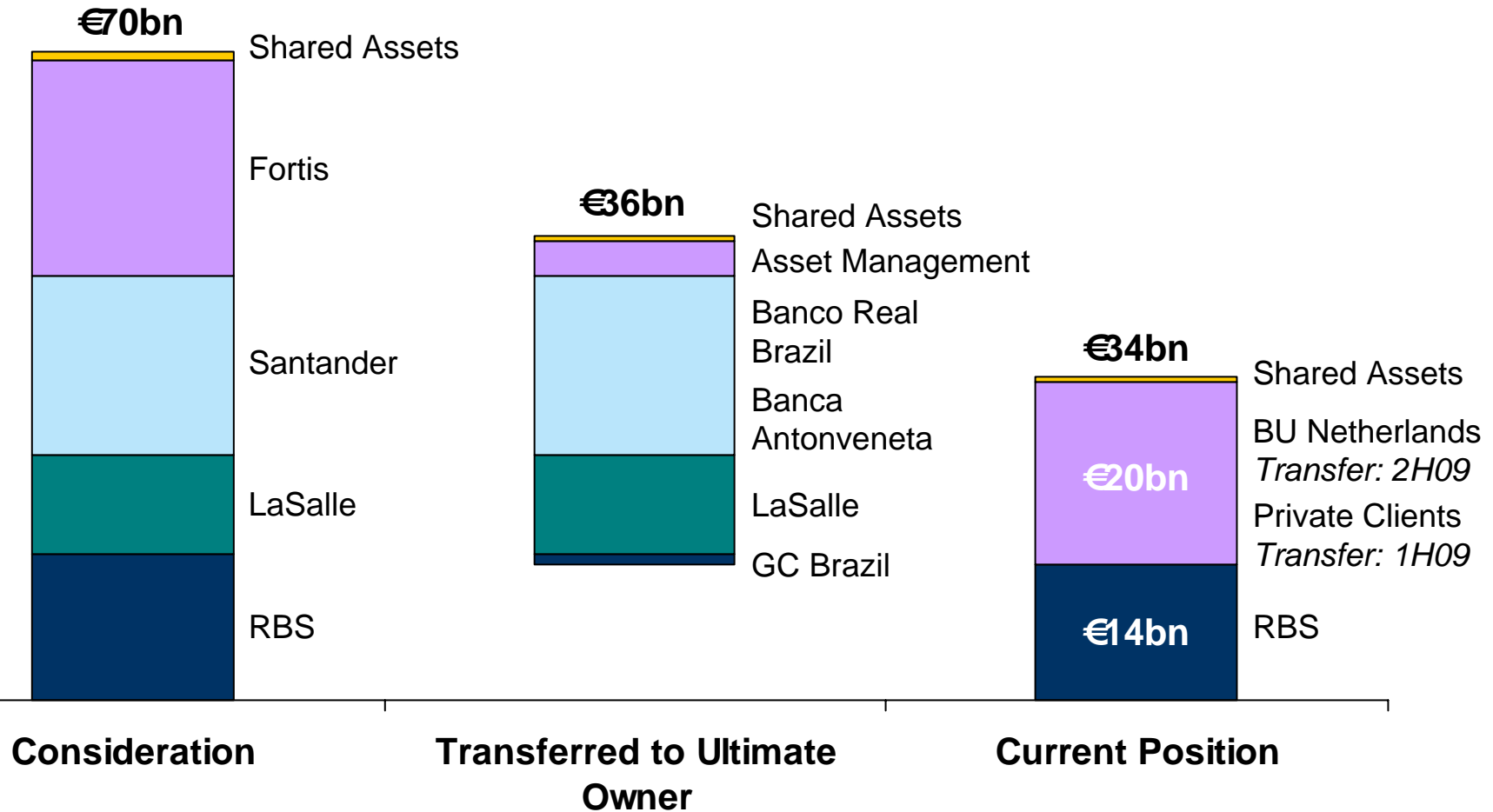
# Separation



# Separation



# Separation



## *Shared Assets*

## *Transfer Status*

- |                        |              |
|------------------------|--------------|
| • UniCredit stake      | ✓            |
| • Taitung              | ✓            |
| • Prime Bank           | ✓            |
| • BU Private Equity    | 75% complete |
| • Saudi Hollandi stake | ongoing      |

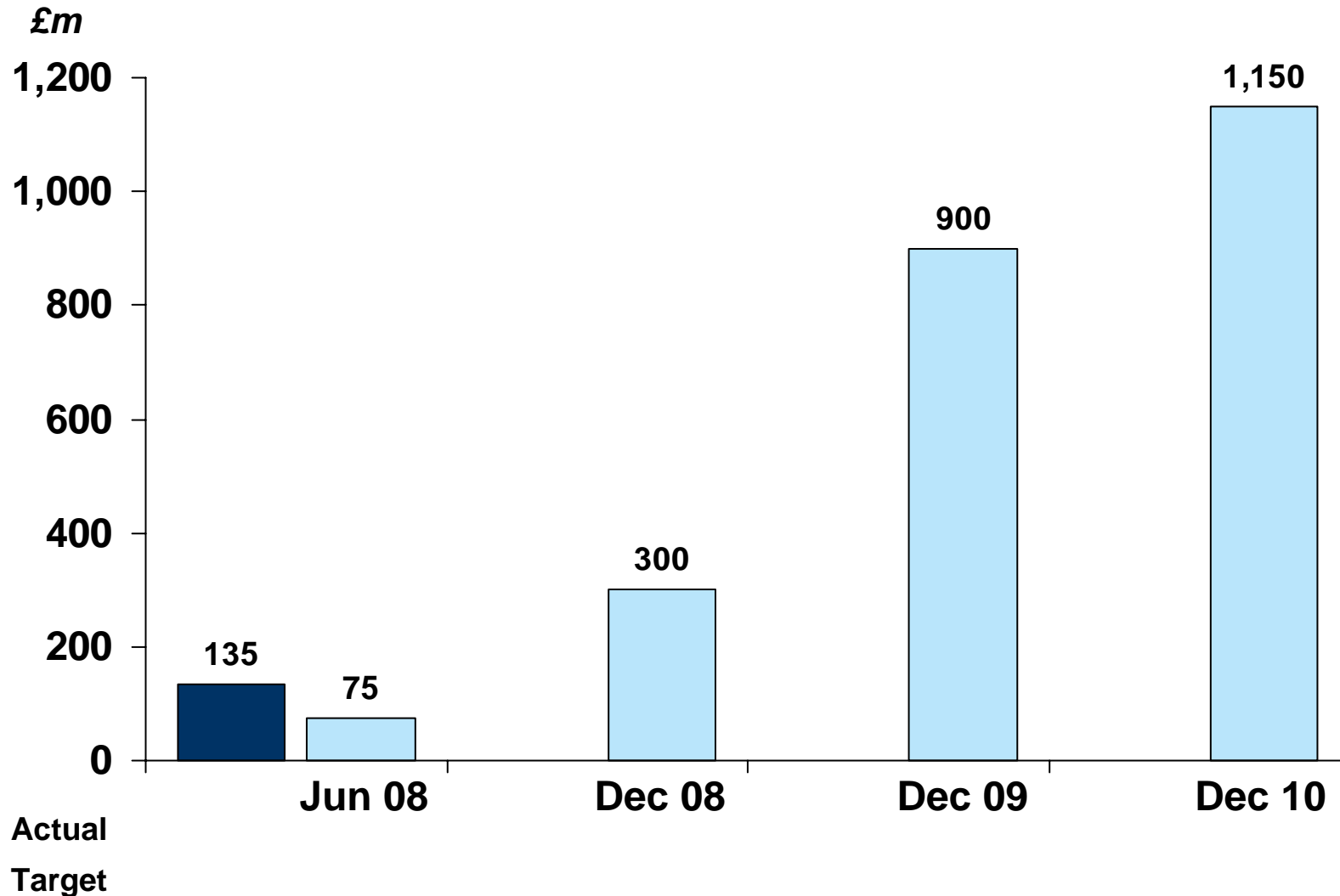


# Integration Synergies

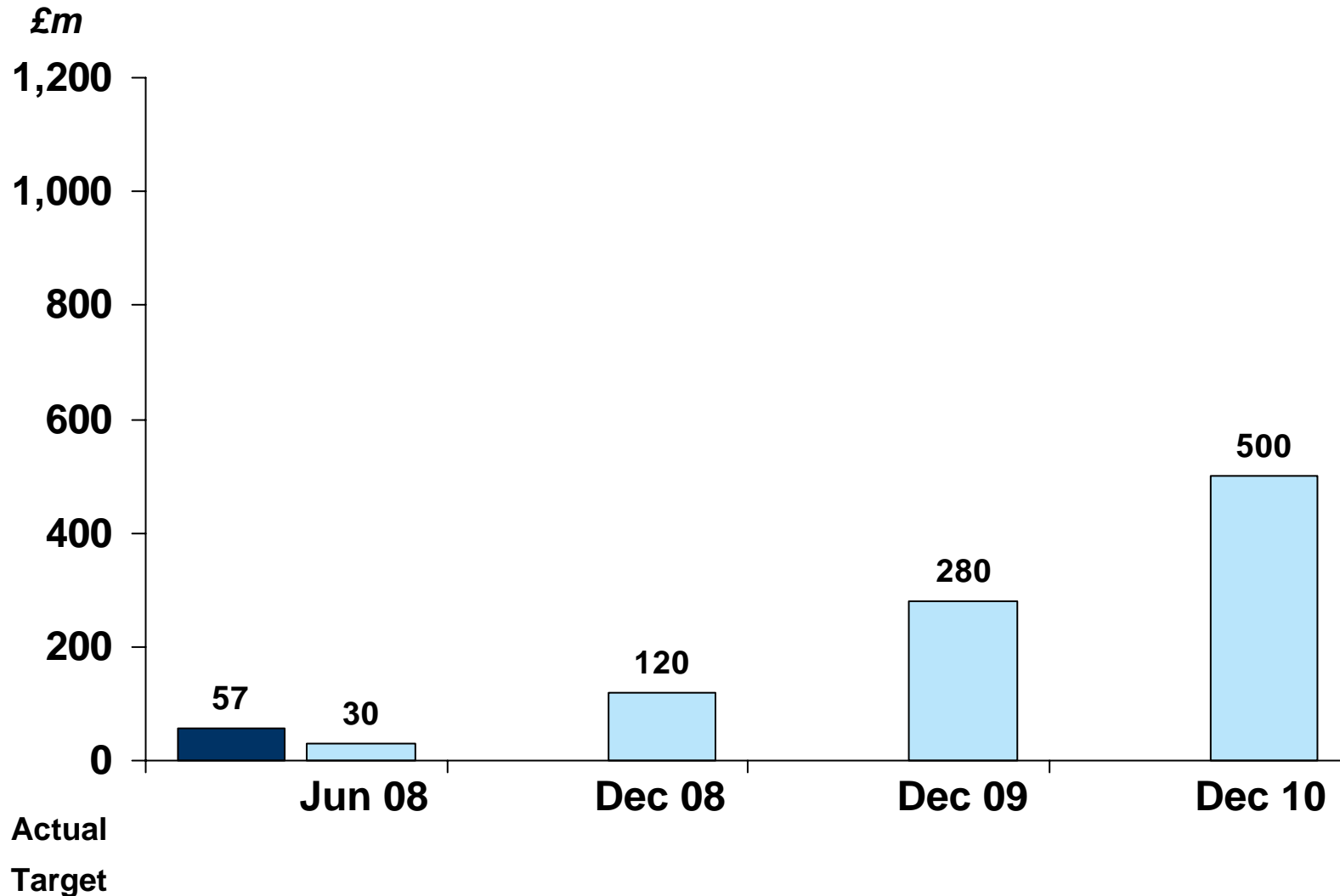
<i><b>P&amp;L Impact in 2010</b></i>	<i><b>Offer Doc July 07</b></i>	<i><b>Revised Plan Feb 08</b></i>
<i><b>€m</b></i>		
Cost savings	1,319	1,600
Net revenue benefits	395	700
<i><b>£m</b></i>		
Cost savings		1,150
Net revenue benefits		500

- 2010 benefits equate to c.4x RBS-acquired businesses 2007 underlying profit before tax

# Cost Savings Impact on Profit Before Tax



# Net Revenue Benefits Impact on Profit Before Tax



- New Group organisational structure implemented
- Senior leadership teams appointed
- Re-branding implemented in 19 countries
- Scaling of GBM IT systems to enable migration completed
- Data centre consolidation underway
- Delivery of synergies ahead of plan
  - Accelerated headcount reduction in GBM; 2,245 at 1H08
  - Accelerated ramp down of ABN AMRO Head Office functions
  - Increased and accelerated purchasing savings

	<i>Strategic Rationale</i>	<i>Current Trading</i>
• Wholesale businesses		
– Global client franchises	✓	✓
– Complementary product strengths		
• Rates, Currencies, Commodities	✓	✓
• Equities	✓	–
• Credit Markets	✓	x
• Global Transaction Services	✓	✓
• International Retail Businesses	✓	✓
• Global manufacturing capability	✓	✓

Make it happen



# Capital

## *Capital Ratios*

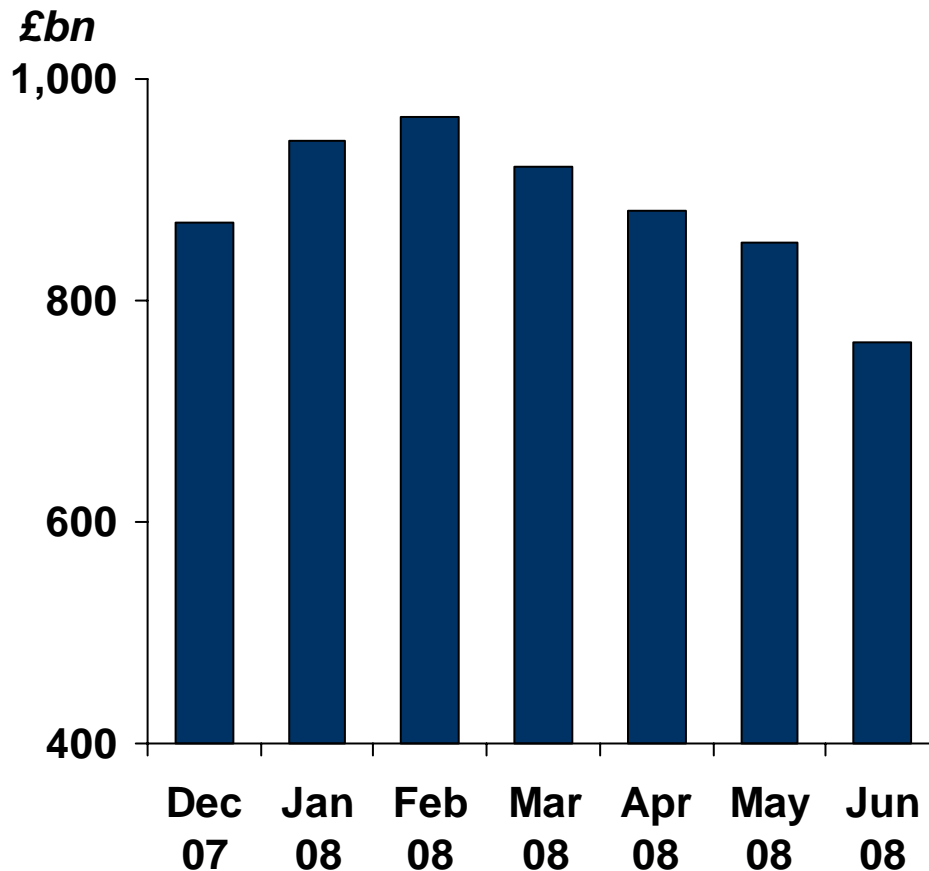
	<i>Target 30 Jun 08</i>	<i>Actual 30 Jun 08</i>	<i>Target 31 Dec 08</i>
Core Tier 1	>5.0%	5.7%	>6.0%
Tier 1	>7.5%	8.6%	>8.0%

*Capital ratios on a proportionately consolidated basis*

- Disposal plans on track
  - Target £4 billion contribution to capital
  - 25% of target contracted to date, including
    - Angel Trains
    - ECF
    - TPF
- Completed*
- Expected to complete 2H08*



## GBM Third Party Assets\*



- Reduction of £108bn in third party assets in the first half, £157bn since March
- Focus on improving risk/return profile, whilst continuing to support customer relationships
- Programme continues in 2H08

\* Third party assets excludes derivatives

Make it happen



# Outlook

## *Consensus GDP Growth Forecasts for 2008*

	<i>Jan 07</i>	<i>Jul 07</i>	<i>Feb 08</i>	<i>Jul 08</i>
UK	2.4%	2.2%	1.7%	1.5%
US	3.0%	2.8%	1.6%	1.5%
Eurozone	2.1%	2.3%	1.6%	1.6%
Asia-Pacific	4.8%	5.0%	4.9%	4.8%

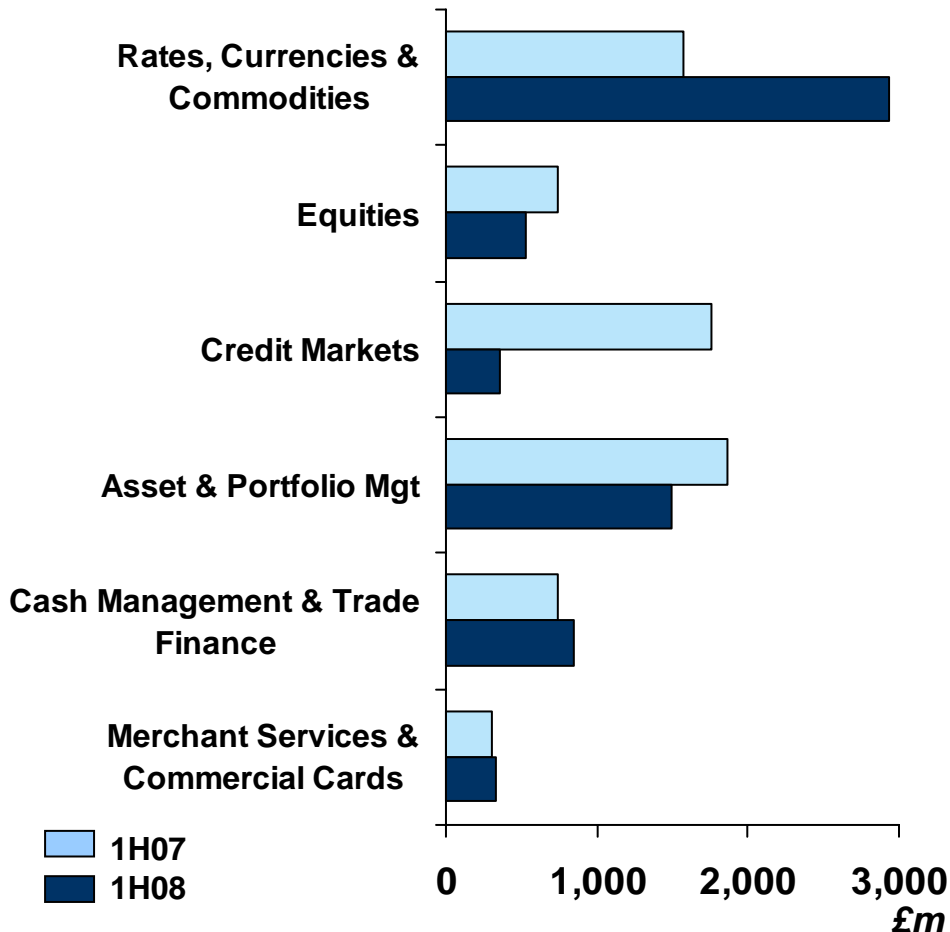
# Strong Franchises

## *Many Businesses Maintaining Strong Growth in Customer Volumes*

			<i>1H08 v 1H07</i>
GBM	Interest rate swap client volumes		+59%
	US IG corporate bond issuance		+41%
GTS	Merchant acquiring volumes		+23%
	Wholesale payments		+5%
UK Retail	Bancassurance sales		+10%
	Mortgages		+9%
UK Wealth	AUM		+10%
US Retail & Commercial	Commercial lending		+13%
	Deposits		+5%
E&ME Retail & Commercial	Deposits		+14%
	Loans		+23%
Asia Retail & Commercial	Personal customers		+14%
	Deposits		+34%
	AUM		+16%

# Diversified Income Streams

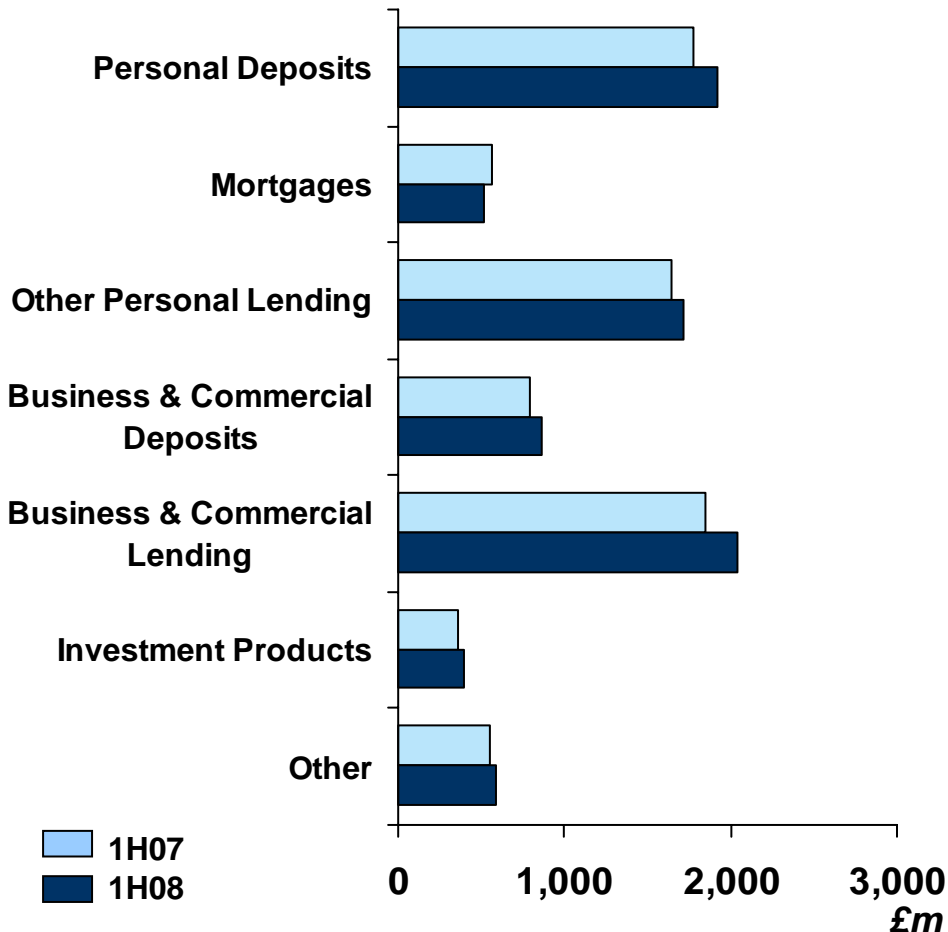
## Global Markets



- 38% of Group underlying income
- Good growth and development of client franchise
- Very strong growth across Rates, Local Markets, Currencies & Commodities, good growth in investment grade credit markets
- Loan margins widening, fee levels rising
- GTS providing solid income growth, notably in International Cash Management/Trade Finance

# Diversified Income Streams

## Regional Markets



- 48% of Group underlying income
- Strong commercial potential across all regions
- Private banking activity remains strong
- Personal business growing despite difficult retail market conditions
- New business margins strengthening

# Conclusion

- Good progress on ABN AMRO separation and integration
- Capital plan remains on track
  - Capital re-basing ahead of target at end June
- Outlook for the global economy is challenging, but RBS better positioned
  - Stronger capital base
  - Income growth from new products to enlarged customer base
  - Meaningful efficiency improvement from delivery of synergies

Make it happen



# 2008 Interim Results

8 August 2008



Make it happen



# Appendix

Make it happen

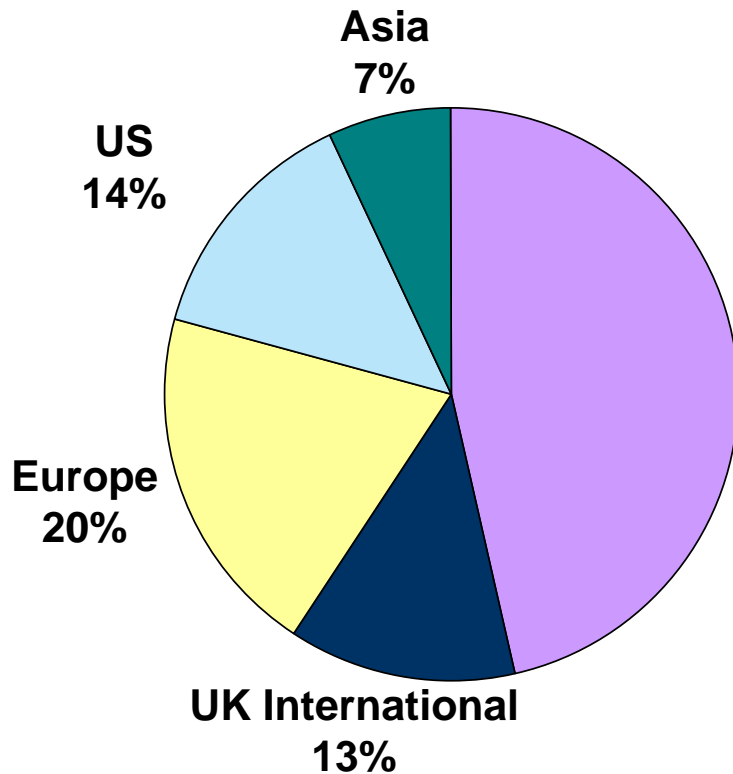


# Credit

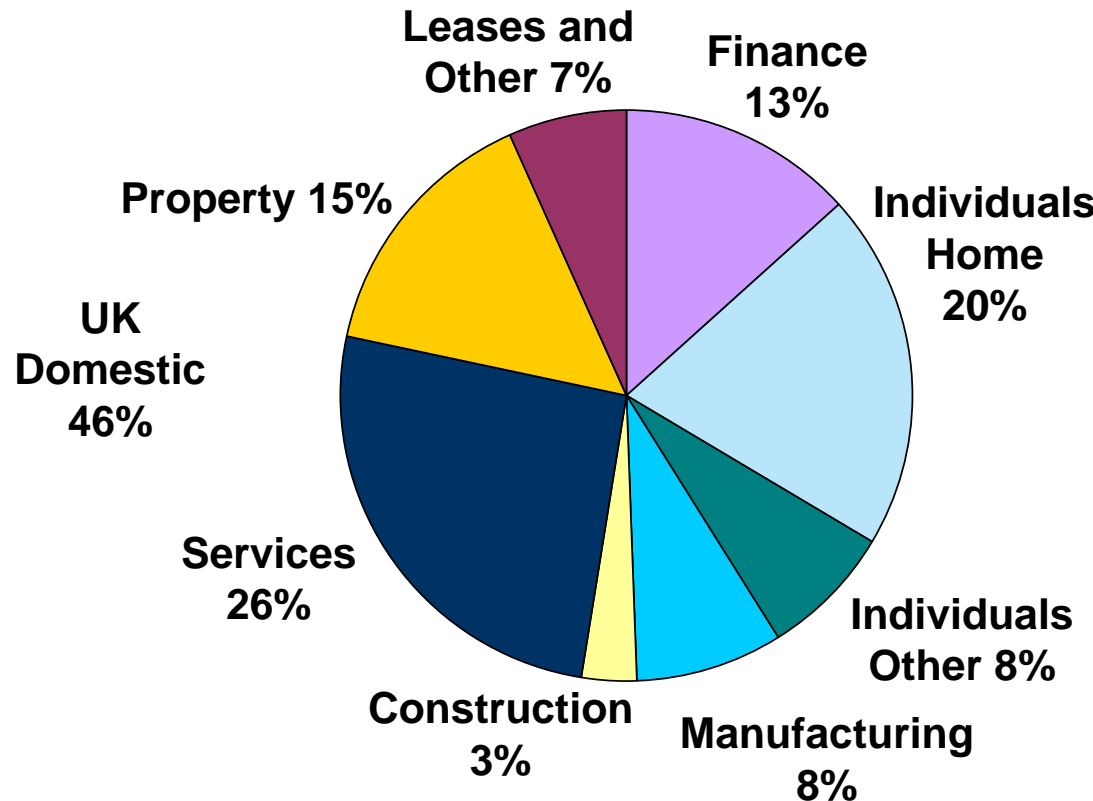
# Loans and Advances to Customers

## Total Loans and Advances to Customers £609bn

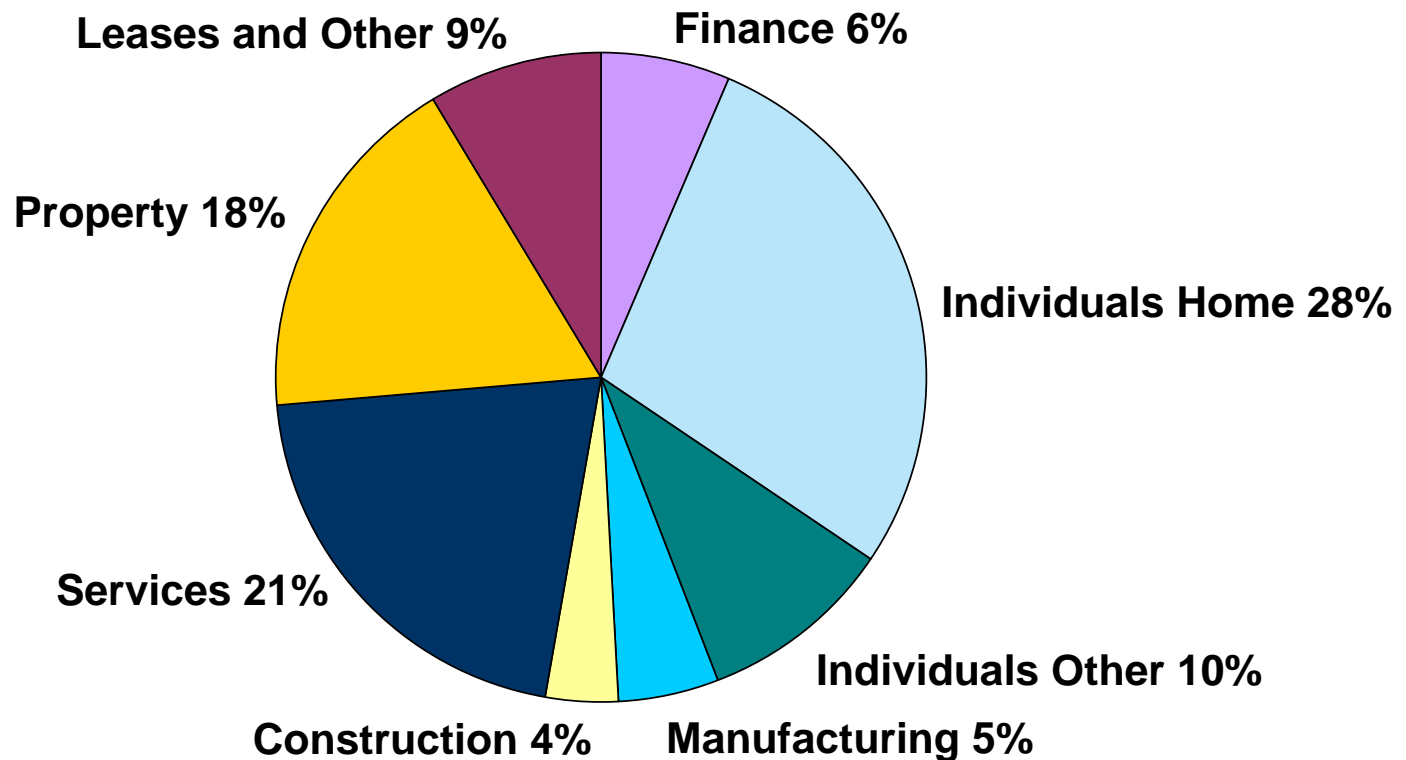
### Geography



### Sector



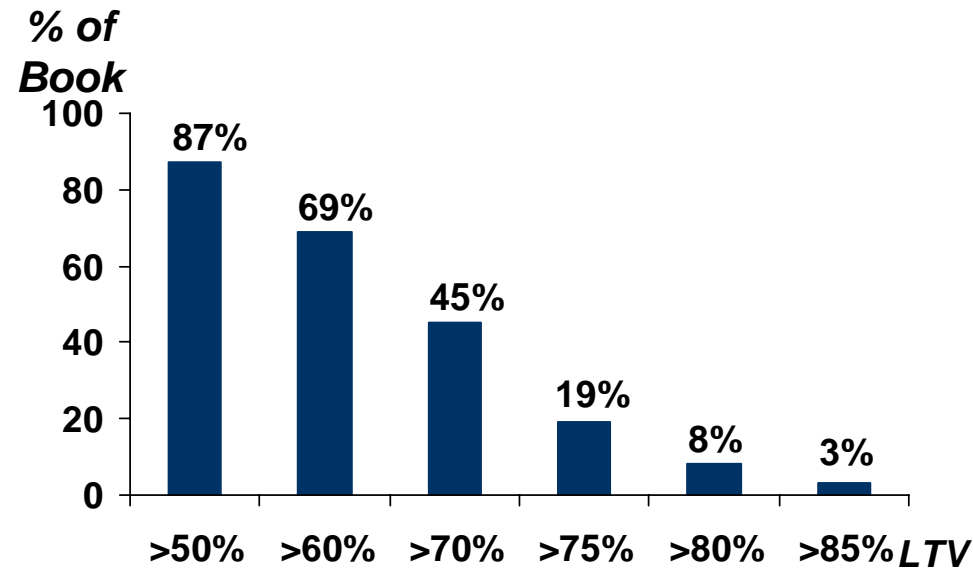
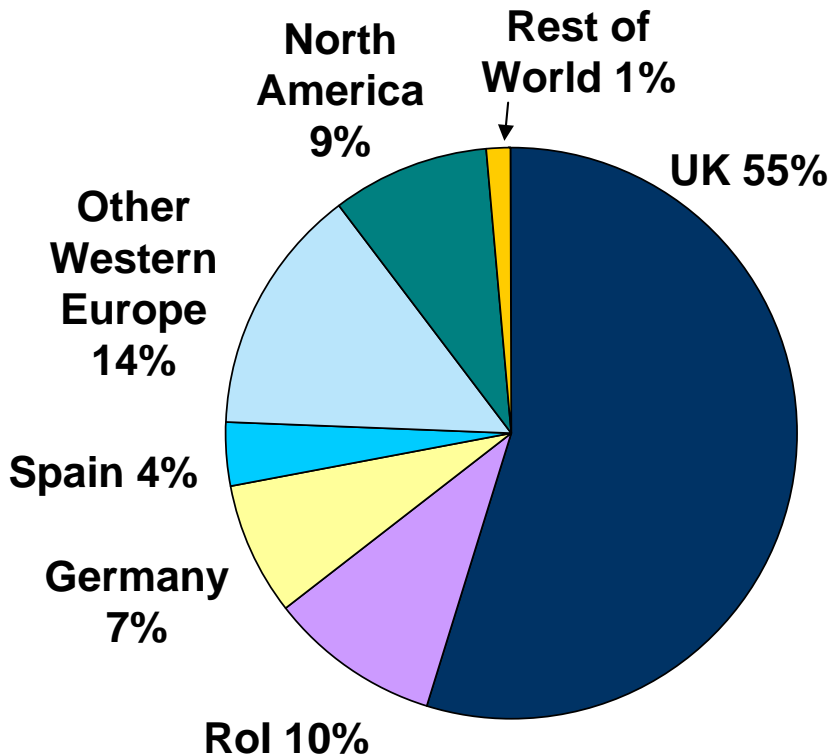
## ***UK Domestic Loans and Advances £282bn***



# Commercial Property

**Commercial Property Portfolio £91bn**  
**Diversified by Geography**

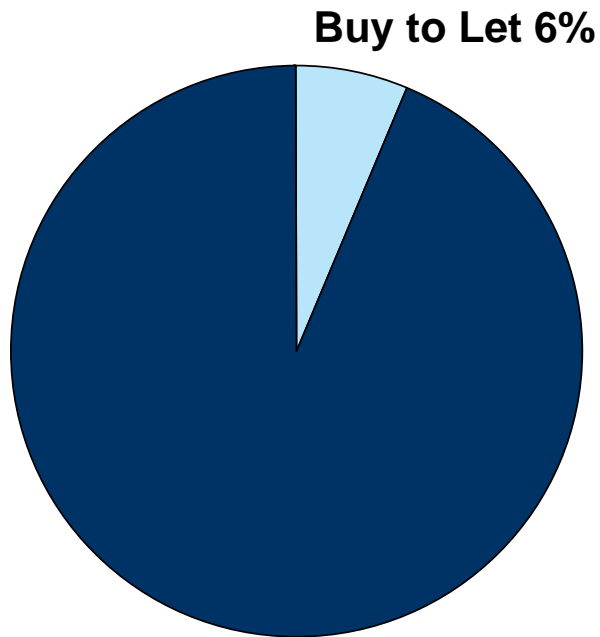
**UK Commercial Property £51bn**  
**Core Portfolio LTV Distribution**



- Average LTV 68%
- 1% speculative
- Well diversified by sector
- Characteristics typical of overall portfolio

# UK Retail Mortgages

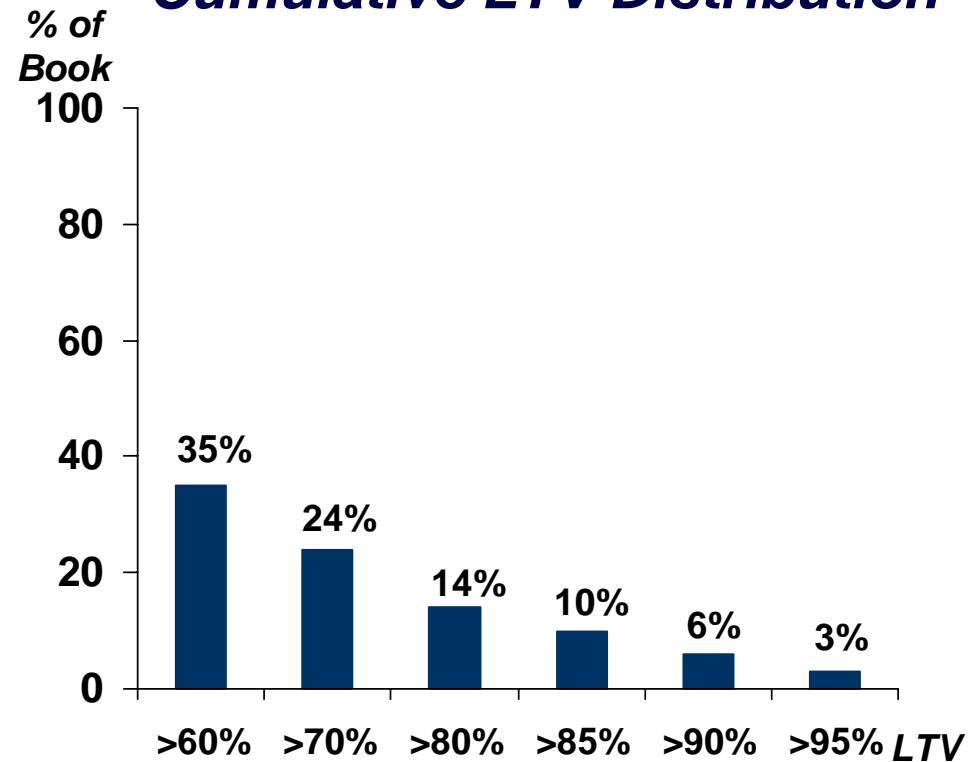
## Total Portfolio £72bn



Other Mortgages 94%

Buy to Let 6%

## Cumulative LTV Distribution



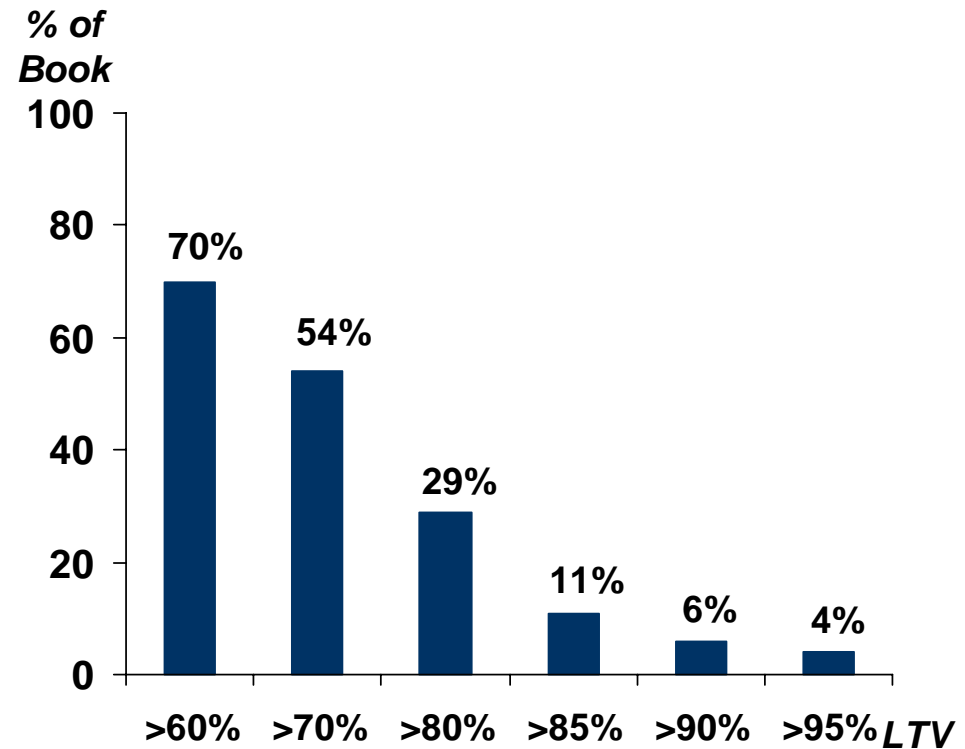
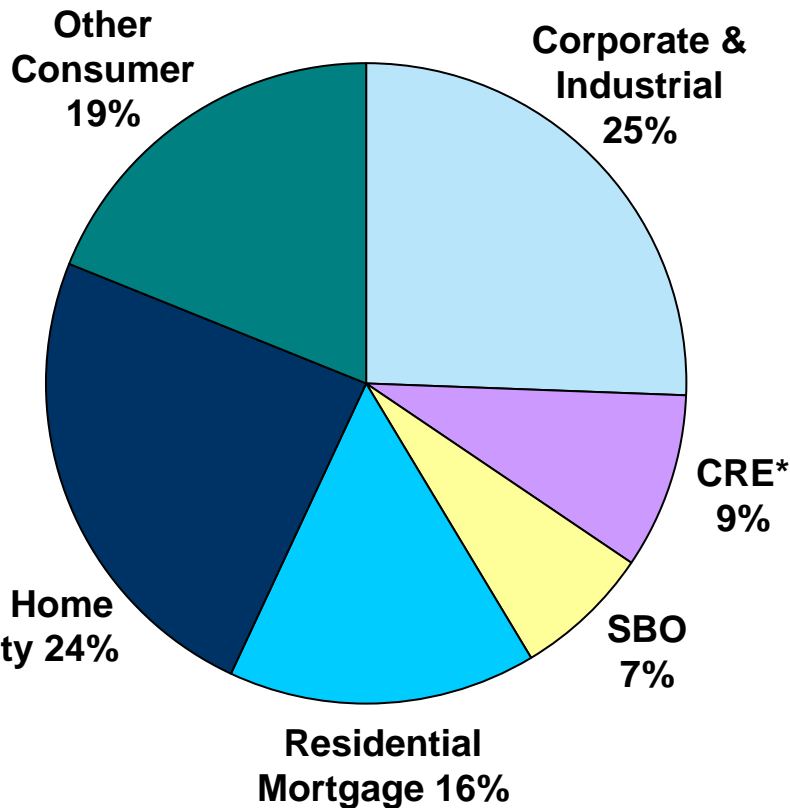
- Average LTV 49%
- Buy-to-let LTV 56%
- New business LTV 66%

# US Retail & Commercial portfolio

## Total Portfolio £57bn

## Cumulative LTV Distribution

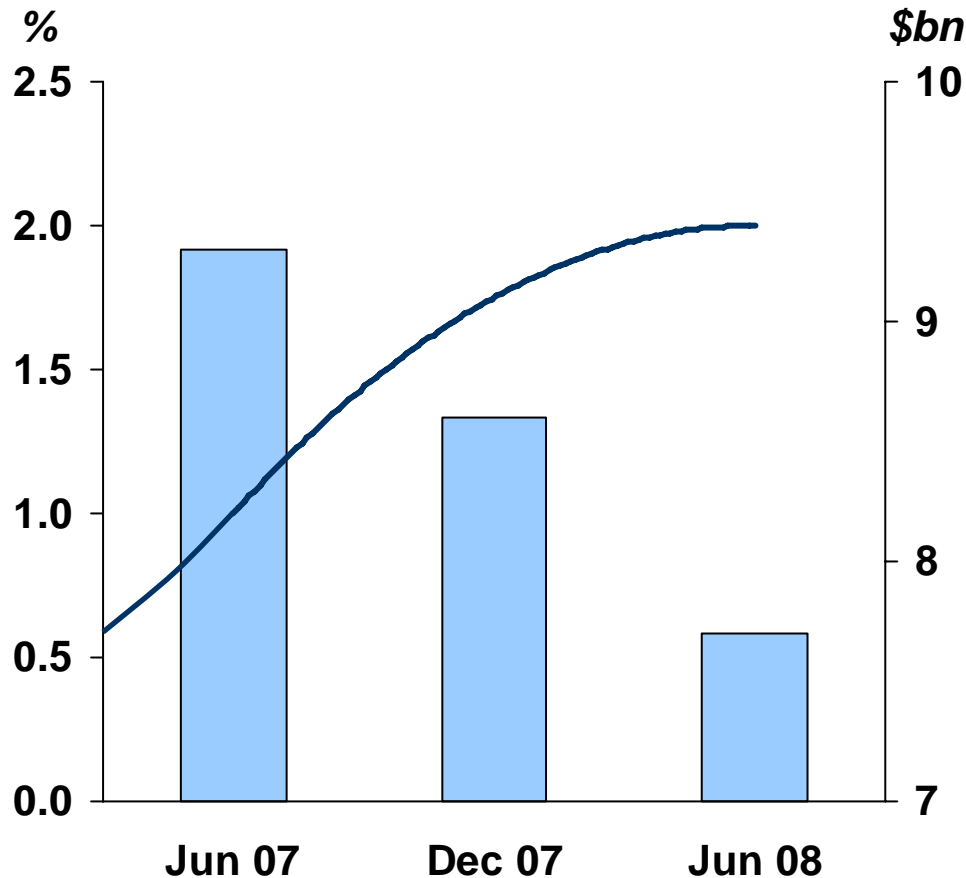
### Residential Mortgage & Core Home Equity



- Average LTV 64%
- Average FICO 748

\* Commercial Real Estate

# US SBO Portfolio



- Book in managed run-off
- Cumulative provisions \$675m
- Cumulative charge-offs \$262m
- Current provisions \$413m
- Reserve 2.7x NPL
- FICO 721

— SBO delinquencies as % of total outstanding loans

■ SBO total outstanding loans



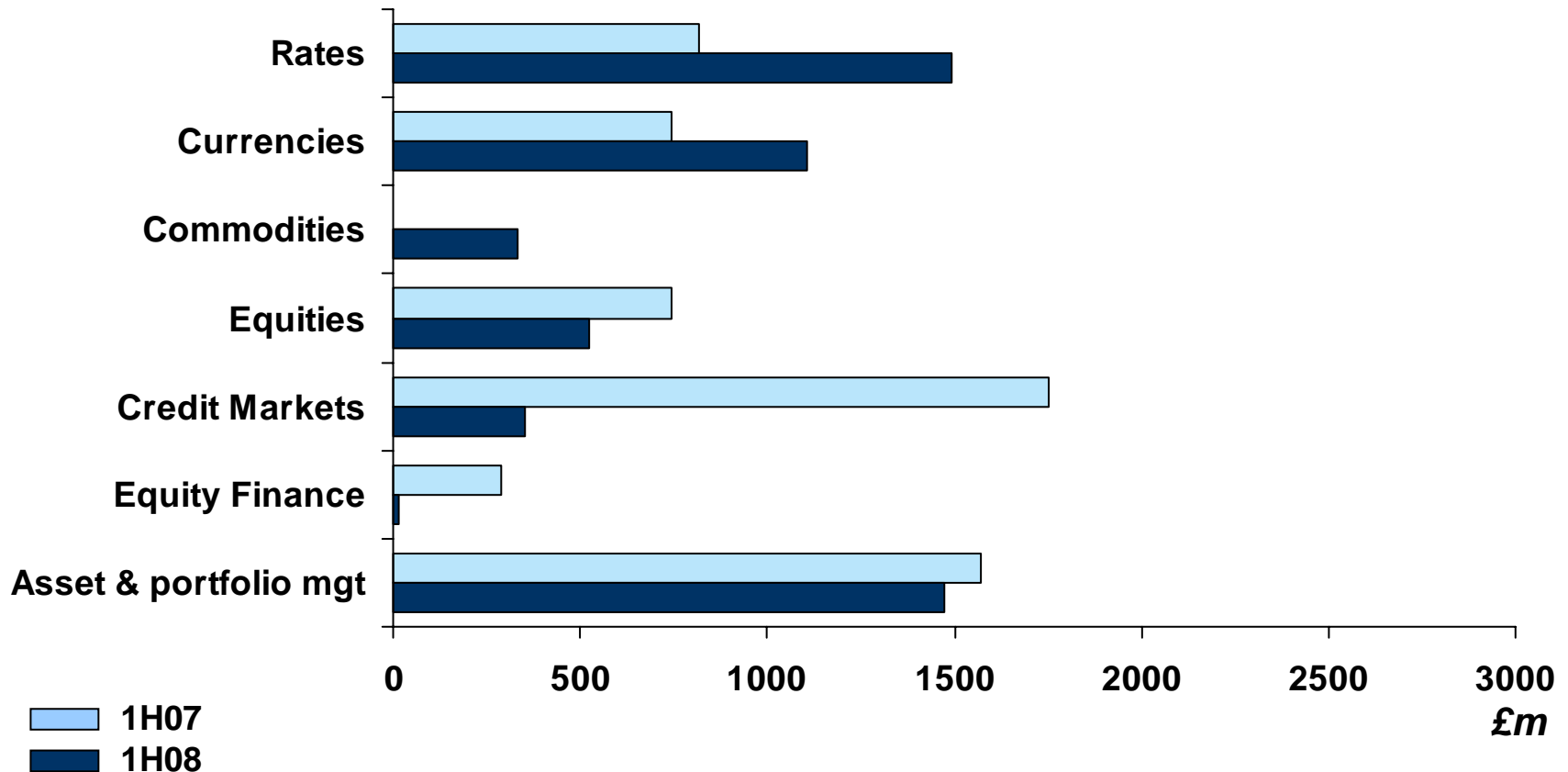
Make it happen



## Diversified Income Streams

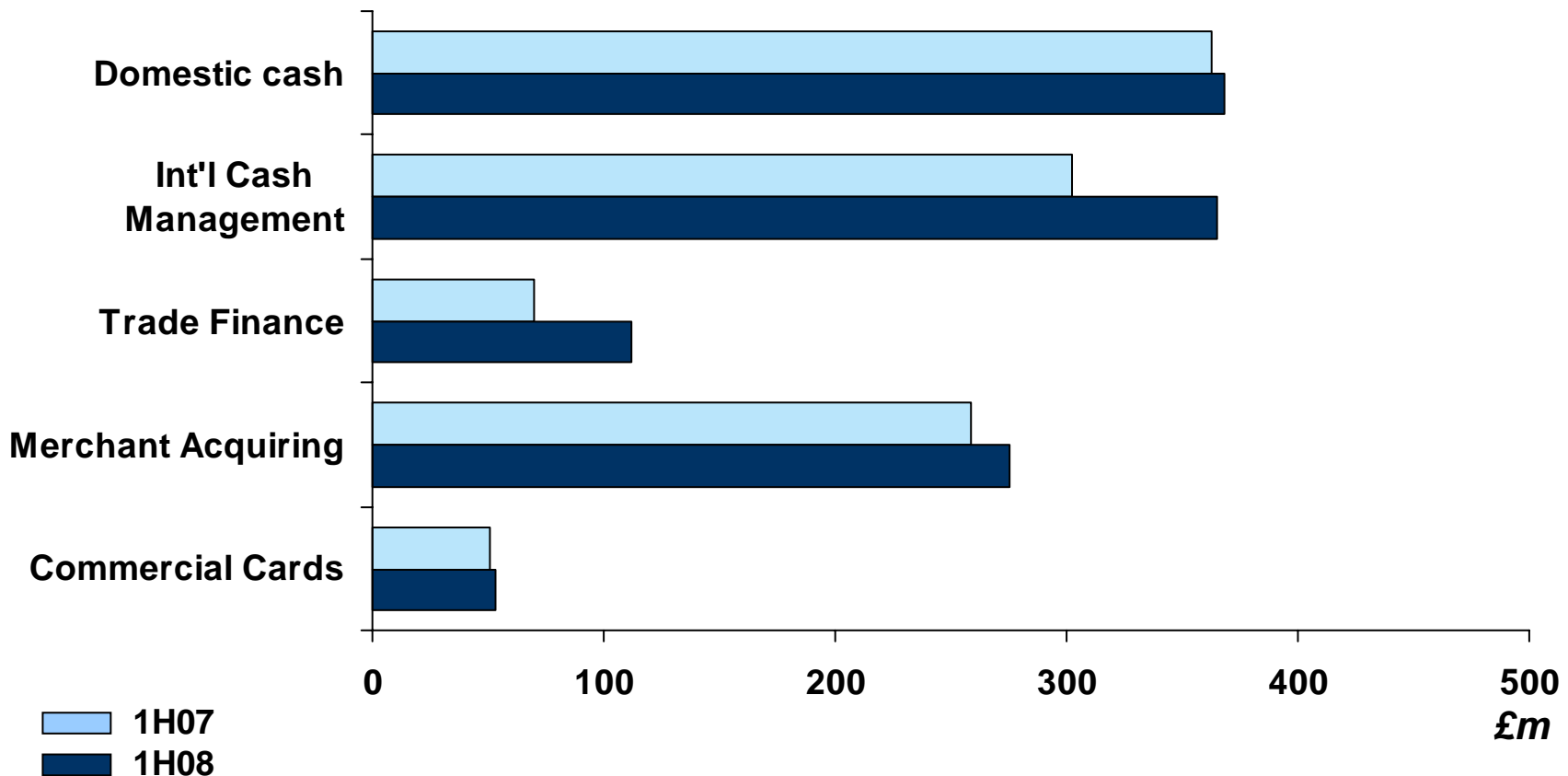
# Diversified Income Streams

## *Global Banking & Markets Income by Product*



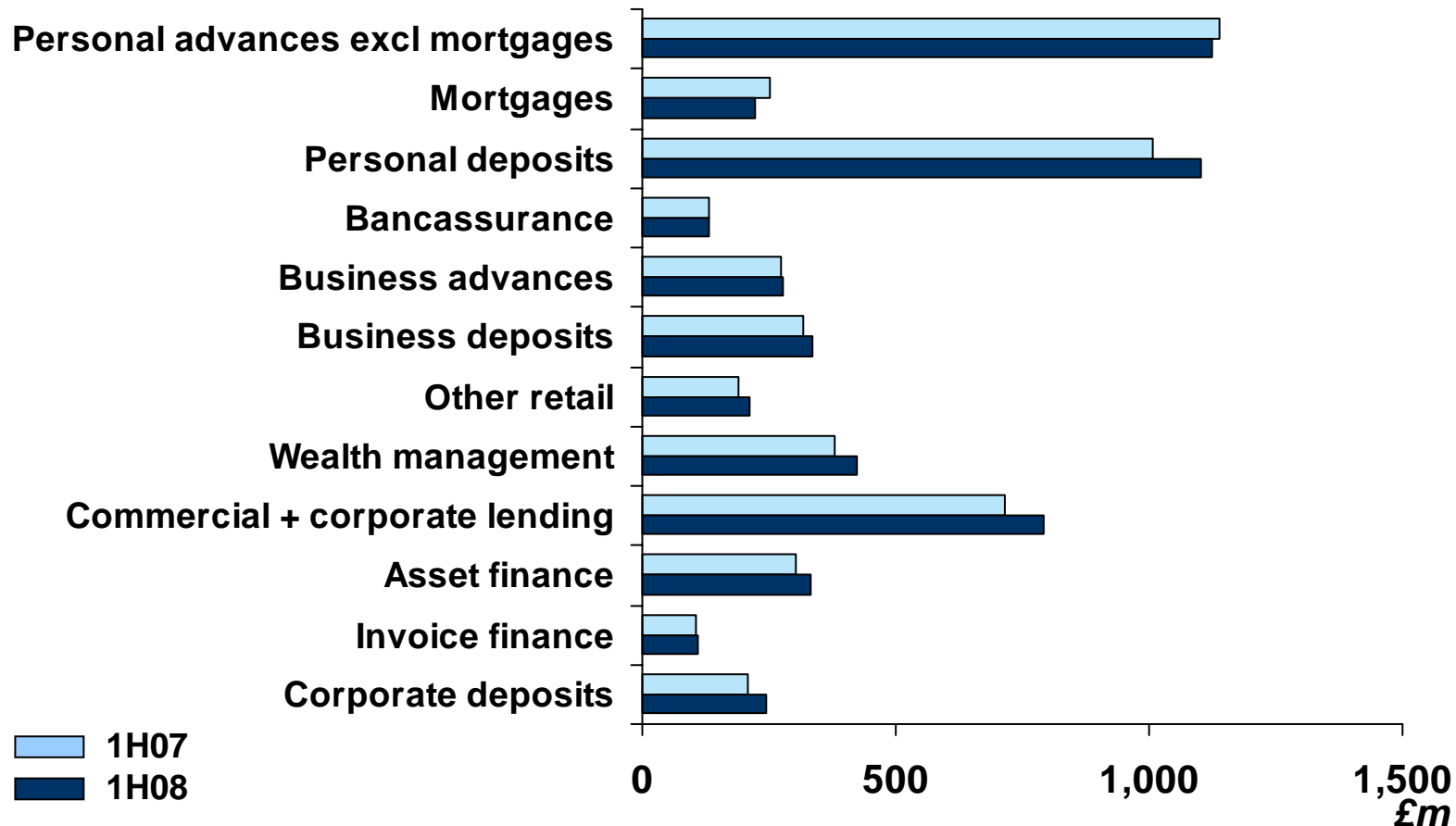
# Diversified Income Streams

## *Global Transaction Services Income by Product*



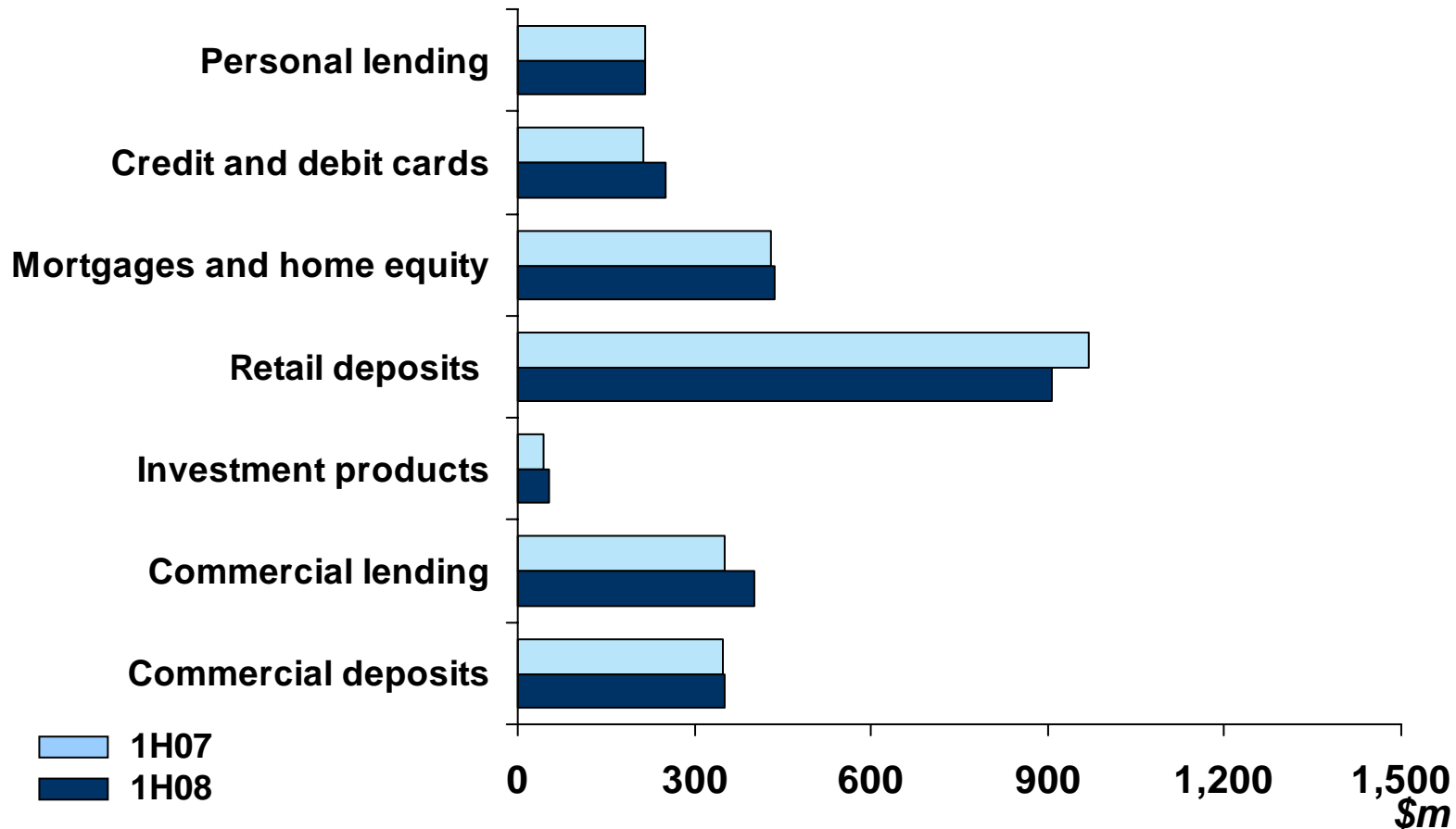
# Diversified Income Streams

## *UK Retail & Commercial Banking Income by Product*



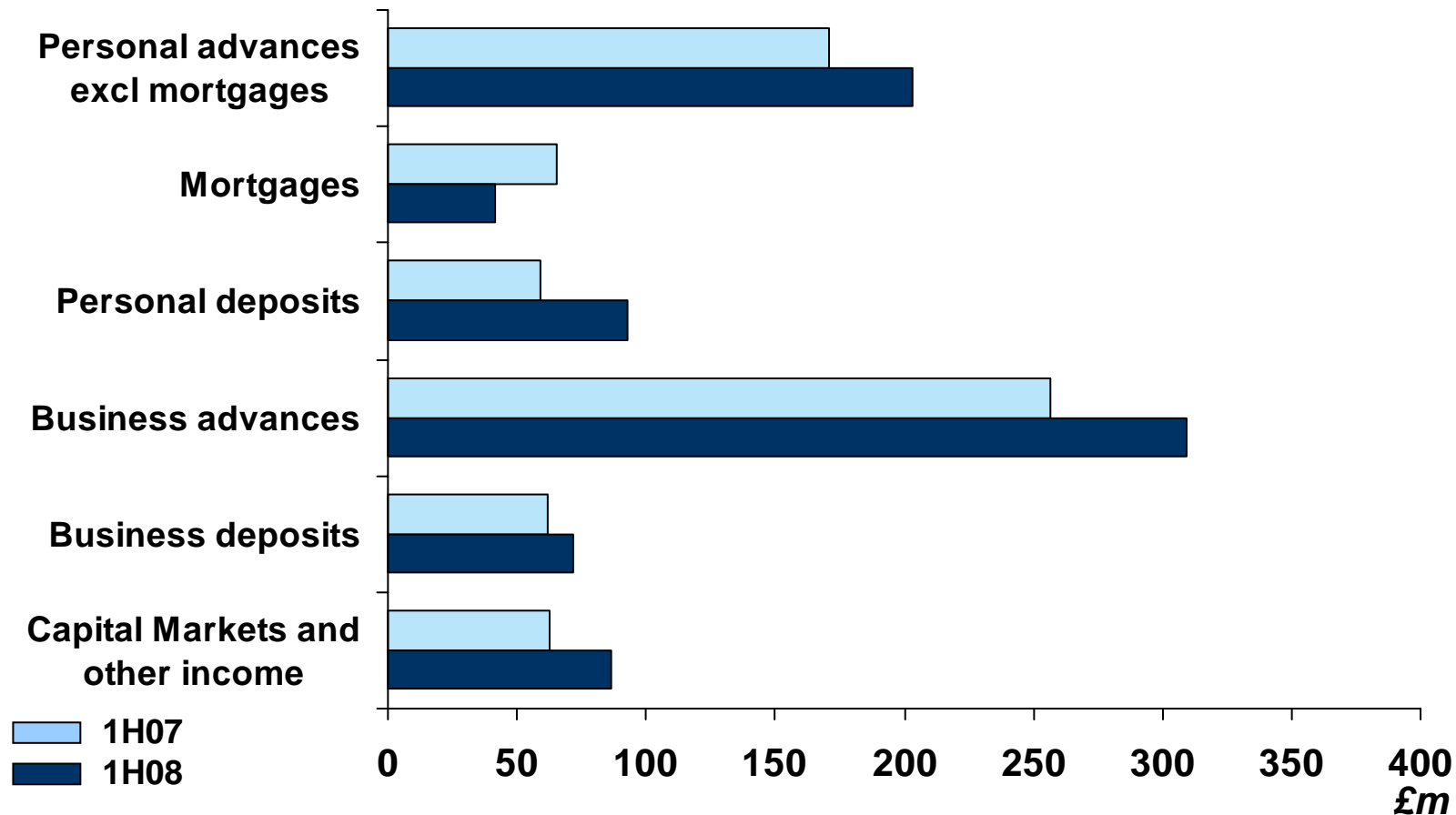
# Diversified Income Streams

## *US Retail & Commercial Banking Income by Product*



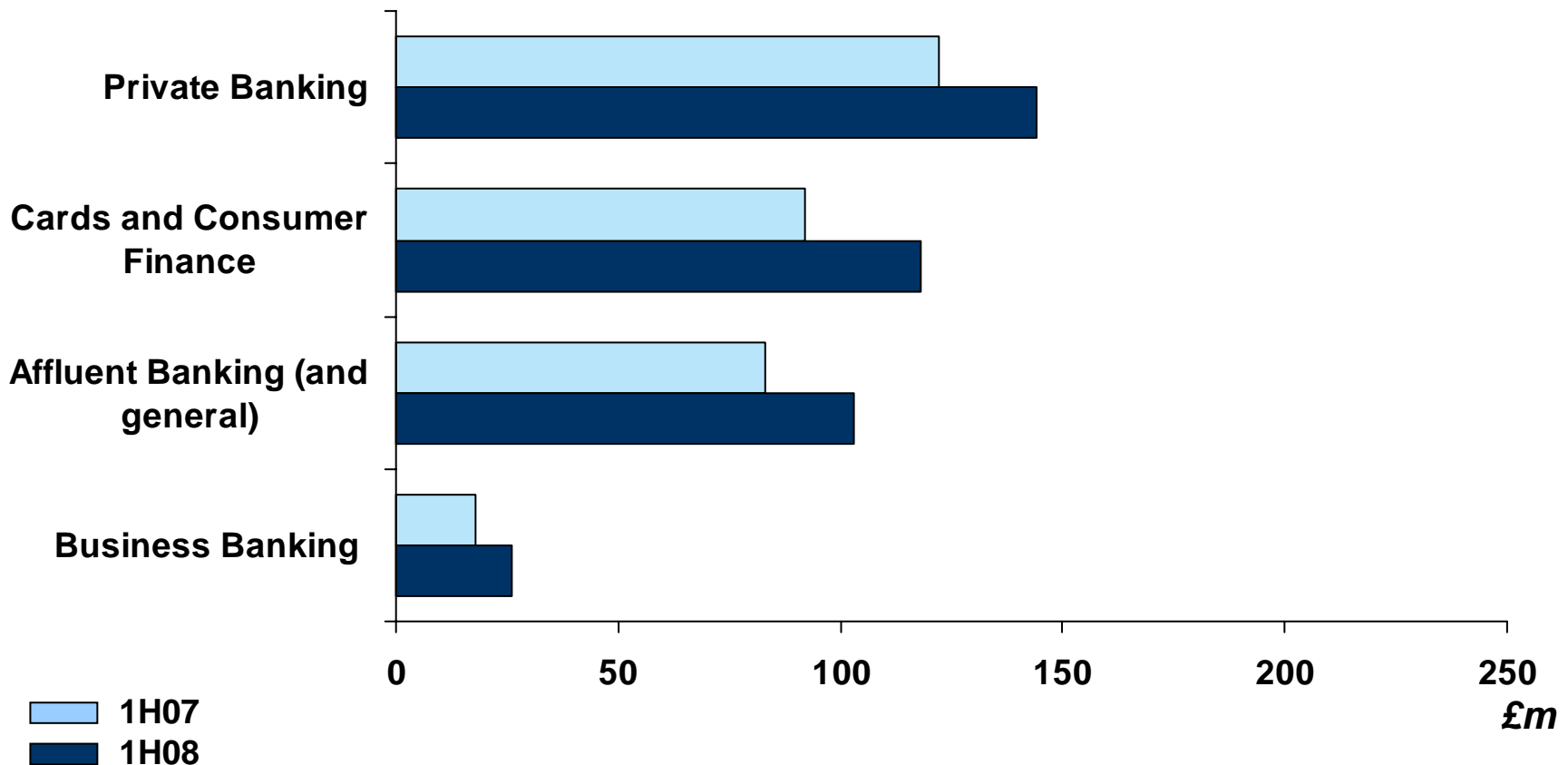
# Diversified Income Streams

## *Europe & Middle East (E&ME) Retail & Commercial Banking Income by Product*



# Diversified Income Streams

## *Asia Retail & Commercial Banking Income by Business Line*



Make it happen



# 2008 Interim Results

8 August 2008