The Royal Bank of Scotland Group

H1 2013 Results

2nd August 2013

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; 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 market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

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

Introduction

Philip Hampton, Chairman

Business Highlights & Review

Stephen Hester, Group Chief Executive

Business highlights

Group pre-tax profit of £1,374m vs. loss of £(1,682)m in H112

Strong improvements in capital position:
- Core Tier 1 ratio up 30bps to 11.1%, 'fully loaded' Basel III ratio up 50bps to 8.7%
- Target over 9% 'fully loaded' ratio by end 2013 and approaching 10% by end 2014
- 'Fully loaded' Basel III leverage ratio improved to 3.4% vs. 3.1% at FY12

Robust Safety and Soundness
- Funding and liquidity metrics remain at 'gold standard' targets
- Total funded assets £720bn below peak, £86bn down YoY

Core Business – performance resilient:
- R&C continues to 'run hard to stand still' given environment. 9.4% RoE ex. Ulster
- Ulster H113 loss narrowed 41% (£226m) YoY on lower credit costs
- Markets adjusting to re-shape and re-sizing

Non-Core – further reduction achieved:
- Funded assets reduced by £12bn in H113 to £45.4bn; FY13 improved target of £36-38bn
- Non-Core losses falling and already 92% below H1 2009 peak

Tackling legacy conduct issues:
- Regulatory provisions, PPI top-up and litigation items substantially offset by bond gains, LME gains

Focused on serving customers well:
- Sustained strong customer franchises across our Core business. Net promoter scores stable/slightly up

Financial highlights

Core Business:

	H113	
Operating profit[1]	**£2.5bn**	R&C businesses saw a moderate top line decline as economic activity remains muted
Return on Equity[2]	**7.4%**	Core ex Ulster RoE 9.4%; YoY decline reflects transition stage of Markets restructuring
R&C NIM	**2.91%**	NIM trend remains favourable
Cost : income ratio	**63%**	Absolute costs down 6% YoY
Impairments	**£1.3bn**	Down 15% YoY, Ulster down 30% YoY
Loan : deposit ratio[3]	**88%**	Strong position maintained; seeking loan growth

Group Progress:

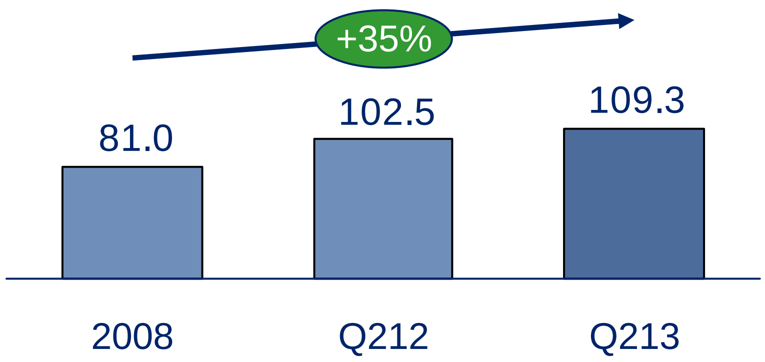
	H113	
Operating profit	**£1.7bn**	+5% (£75m) YoY and up £184m QoQ
Non-Core funded assets	**£45.4bn**	Further £7.5bn reduction QoQ driven by run-off and sales
Capital strength	**11.1%**	CT1 ratio up 30bps driven by RWA reduction. FLBIII CT1 ratio increased 50bps to 8.7%
Pre-tax profit	**£1.4bn**	Versus £1.7bn loss in H112

[1] Excluding own credit adjustment (OCA). [2] Equity allocated based on share of Group tangible equity. [3] Net of provisions.

UK lending update

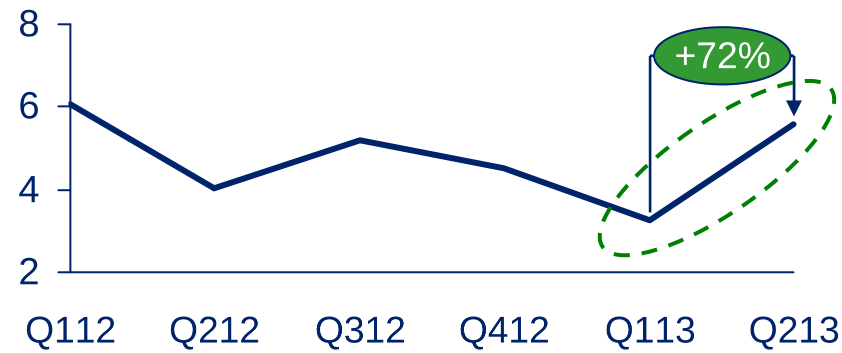
Supporting Homeowners

UK gross mortgage balances, £bn



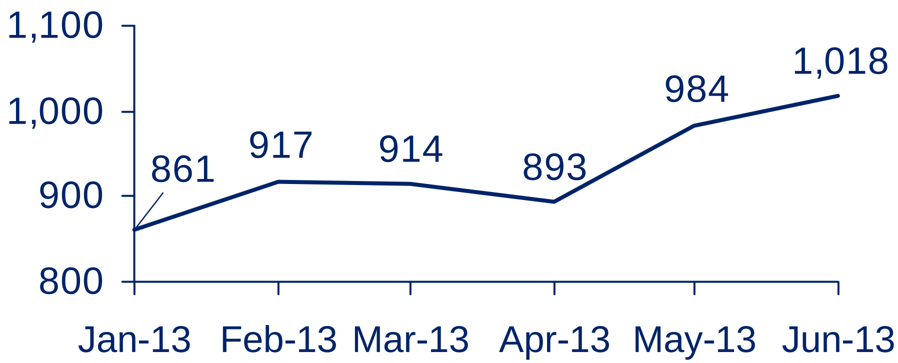
Mortgage applications

Mortgage applications (£bn)



Support for Small Businesses

SME loan and overdraft applications (£m)



- UK mortgage balances have risen 35% since 2008 to £109.3bn in Q213 in a market that has grown by only 3%
- Significant increase in mortgage applications (up 72% QoQ) after dip for retraining and accreditation programme for mortgage advisors in Q1
- Signs of improvement in SME loan demand with the value of Q213 loan and overdraft applications up 8% QoQ

Safety & Soundness metrics

Group – Key performance indicators	Worst point	H113	Medium-term target
Loan : deposit ratio (net of provisions)	154%[1]	96%	**c.100%**
Short-term wholesale funding[2]	£297bn[3]	£37bn	**<10% TPAs**
Liquidity portfolio[4]	£90bn[3]	£158bn	**>1.5x STWF**
Tier 1 leverage ratio[5]	28.7x[6]	14.3x	**<18x**
Core Tier 1 Capital ratio	4%[7] B2[8]	11.1% B2.5[9]	>10% BIII[10]
Funded balance sheet	£1,563bn[11]	£843bn	

Achieved

[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

Restructuring nearing successful conclusion

	Milestones	H113	New targets	Comments
1	Non-Core TPAs	£45bn	FY13E £36-38bn	Expect to surpass the previous £40bn TPA target by end 2013
2	Markets RWAs	£96bn[1]	FY14E £80bn[1]	Good RWA progress, on track to achieve £80bn 'fully loaded' Basel III RWA target by end-2014
3	Costs	FY13E <£13.2bn	FY15E <£12bn	Project further absolute cost reductions over next two years

- Targets reflect consistent restructuring progress

[1] 'Fully loaded' Basel III RWAs. Target includes c.£12bn RWAs relating to run-off and exit businesses.

Update on conduct agenda

Issue	Status
SME swaps	■ Processing claims underway
PPI	■ H1 top-up reflects response rate declining at slower pace than assumed at year end
Other regulatory issues	■ New and enhanced controls operating where weaknesses identified ■ LIBOR, RMBS, sanctions and other regulatory investigations progressing towards resolutions

- Jon Pain appointed as Head of Conduct and Regulatory Affairs in May 2013

Delivery agenda

Core Bank

Serve customers well, and better

Lending growth

Deliver earnings growth and cost reductions

Achieve capital targets

Restructuring

Conclude active run-down of Non-Core

Complete Markets restructure

Complete DLG sell-down, UK Branch IPO/sale, partial IPO of Citizens

Work through DAS, B shares and dividend policy

RBS Group

Finance & Risk Review

Bruce Van Saun, Group Finance Director

Group financial highlights

£m	H113	H112	H113 vs. H112	Q213	Q113
Income	**10,608**	**11,685**	**(1,077)**	**5,447**	**5,161**
Operating Expenses	(6,780)	(7,433)	653	(3,399)	(3,381)
PBIL[1]	**3,828**	**4,252**	**(424)**	**2,048**	**1,780**
Impairment Losses	(2,150)	(2,649)	499	(1,117)	(1,033)
Operating Profit/(Loss)	**1,678**	**1,603**	**75**	**931**	**747**
One-off and other items[2]	**(304)**	**(3,285)**	**2,981**	**(383)**	**79**
Profit/(Loss) Before Tax	**1,374**	**(1,682)**	**3,056**	**548**	**826**
Attributable Profit/(Loss)	**535**	**(2,032)**	**2,567**	**142**	**393**
Net interest margin	1.97%	1.90%	7bps	2.00%	1.94%
Cost:income ratio[3]	64%	64%	-	62%	66%

Capital & Balance Sheet	30 Jun 13	31 Mar 13	Jun 13 vs. Mar 13	31 Dec 12	Jun 13 vs. Dec 12
Funded balance sheet	£843bn	£876bn	(4%)	£870bn	(3%)
Risk-weighted assets[4] (Gross)	£436bn	£446bn	(2%)	£460bn	(5%)
Core tier 1 ratio	11.1%	10.8%	30bps	10.3%	80bps
'Fully loaded' Basel III ratio	8.7%	8.2%	50bps	7.7%	100bps
Net tangible equity per share	445p	459p	(3%)	446p	(0%)

[1] Profit before impairment losses. [2] Includes OCA, PPI, Amortisation of Intangibles, restructuring & integration costs, liability management exercise, net strategic disposals, APS fair value CDS adjustments, Swap / LIBOR fines & other. [3] Calculated using income net of insurance claims. [4] Including RFS.

Below the line items

Below the line items	H113	H112	H113 vs. H112	Q213	Q113
Own Credit Adjustment (OCA)	376	(2,974)	3,350	127	249
Conduct (PPI, IRHP, LIBOR, other)	(620)	(260)	(360)	(570)	(50)
Integration and restructuring costs	(271)	(619)	348	(149)	(122)
Gain/(loss) on redemption of own debt	191	577	(386)	242	(51)
Other[1]	20	(9)	29	(33)	53
Total	**(304)**	**(3,285)**	**2,981**	**(383)**	**79**

- H113 saw a total charge of just over £300m, down almost £3bn YoY
- Conduct items substantially offset by AFS bond gains of c.£355m and LME gain of £242m in Q213
- Cumulative PPI provision now stands at £2.4bn

[1] Includes APS fair value changes, RFS Holdings minority interest and other.

Core performance

£m	H113	H112	H113 vs. H112	Q213	Q113
Net Interest Income	5,460	5,718	(258)	2,751	2,709
Non Interest Income	4,782	5,697	(915)	2,423	2,359
Income	**10,242**	**11,415**	**(1,173)**	**5,174**	**5,068**
Operating Expenses	(6,459)	(6,908)	449	(3,243)	(3,216)
PBIL[1]	**3,783**	**4,507**	**(724)**	**1,931**	**1,852**
Impairment Losses	(1,319)	(1,553)	234	(719)	(600)
Operating Profit	**2,464**	**2,954**	**(490)**	**1,212**	**1,252**

- H113 Core income 10% lower YoY impacted by Markets restructuring. R&C saw moderate top line decline as client activity remains muted
- QoQ Core income up 2% supported by realisation of AFS bond gains of c.£355m
- Expenses remain tightly managed, down 6% YoY
- YoY improvement in impairments driven by Ulster

[1] Profit before Impairment Losses.

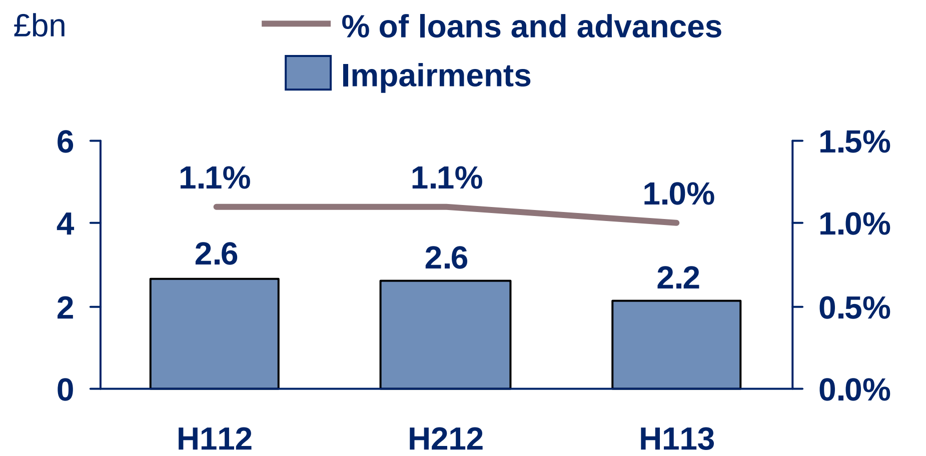
Divisional performance

Operating profit, £m	H113	H112	H113 vs. H112	Q213	Q113
UK Retail	954	914	40	477	477
UK Corporate	753	1,004	(251)	395	358
Wealth	112	104	8	56	56
International Banking	136	264	(128)	42	94
Ulster Bank	(329)	(555)	226	(165)	(164)
US R&C	363	331	32	174	189
Total R&C	**1,989**	**2,062**	**(73)**	**979**	**1,010**
Markets	371	1,075	(704)	93	278
Central items	104	(183)	287	140	(36)
Total Core	**2,464**	**2,954**	**(490)**	**1,212**	**1,252**

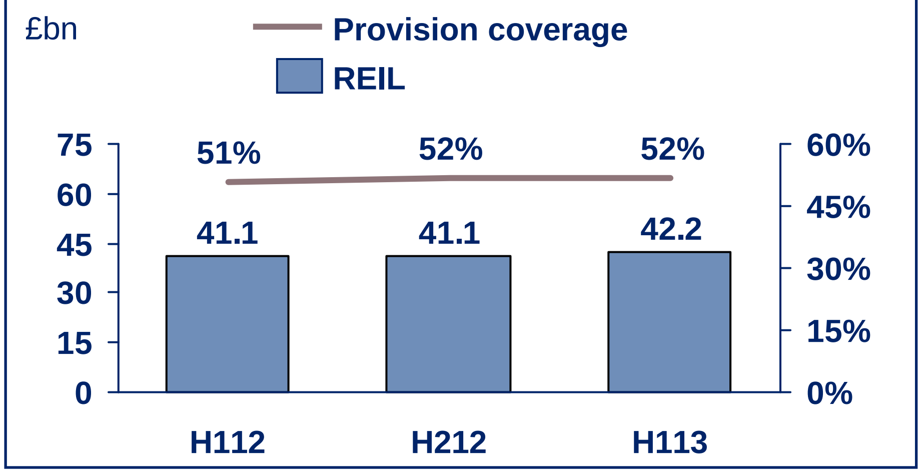
- R&C now 81% of Core vs. 70% a year ago
- Decline in Core Operating profit driven largely by the significant reduction in Markets income as the division manages down the scale and risk of its balance sheet
- H113 Ulster Bank loss down 41% YoY

Impairments, REIL and provision coverage

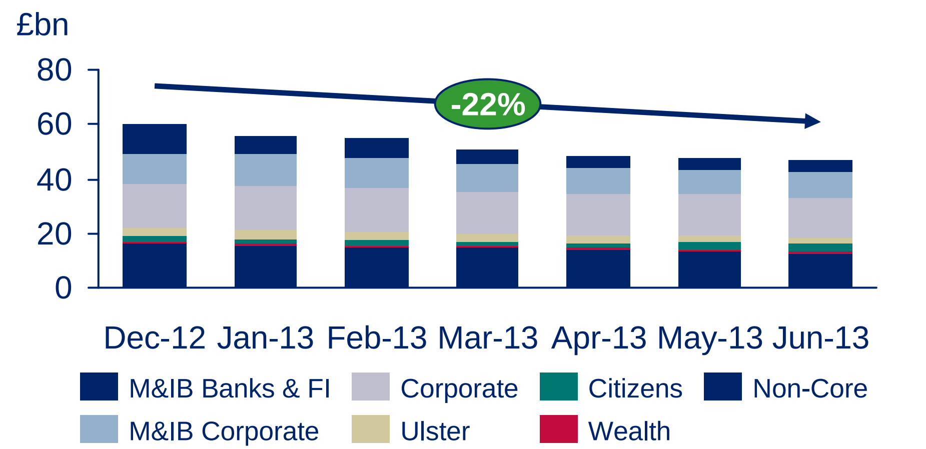
Impairment trends



REIL and provision coverage



Wholesale Watch List[1]

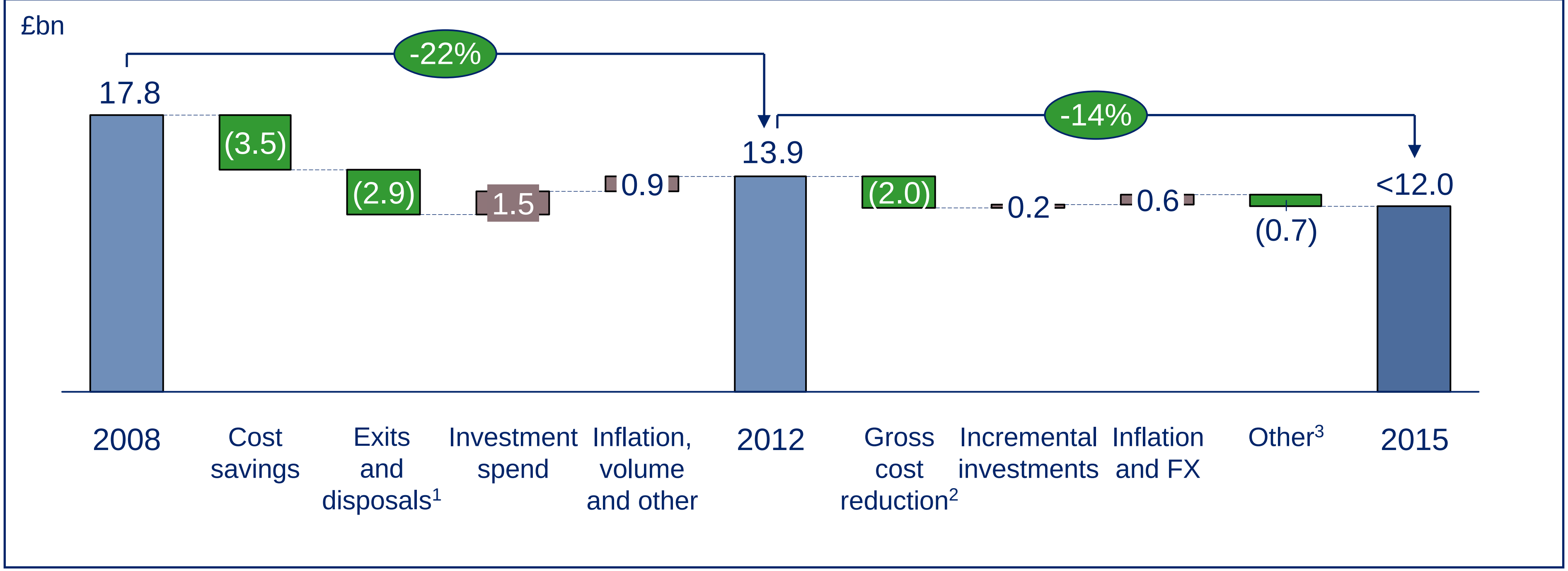


- Impairments improved by £499m (19%) YoY, driven by a significant fall in Non-Core impairments (down £265m) particularly in the non-Ulster Bank portfolios
- H113 REIL movement impacted by £1bn due to exchange rates, and cases migrating into default from the Watchlist
- Wholesale Watch List down 22% this year driven by a mixture of cases moving back to the good book and some shipping, CRE and Ulster exposures moving into default

[1] Wholesale watch list – performing loans where there are early signs of potential stress or warrant close management as well as loans which are actively managed by the Global Restructuring Group.

Targeting an absolute cost base of under £12bn by 2015

Changes to RBS cost base (2008 – 2015)



- Substantial decline in cost base (22%) between 2008 and 2012, cost reduction programme savings well ahead of original plan
- Expect to deliver Group operating costs of around £13bn in 2013
- Targeting an absolute cost base of under £12bn by 2015, driven by £2bn in further savings

[1] Includes DLG disposals and exits, Non-Core run-down. [2] Includes Non-Core run-down and assumes UK Branch disposal during 2015. [3] Includes a number of one-off items.

A considered and comprehensive cost savings programme

Programme	Expected 2015 financial impact (£m)
A Simplify and standardise products	200-350
B Rationalise points of presence, including core UK customer franchise	200-300
C Streamline critical end to end processes, including change	350-500
D Optimise divisional operating model	450-575
E Continued downsizing of unprofitable business units & required disposals	600-650
Total	2,000+

- Programme is well-defined and in progress. Additional initiatives under development
- Cost to achieve expected to be within overall restructuring costs totalling c.£900m to £1bn per annum in 2013 and 2014

Set of initiatives across the bank to realise the saving target

Retail and Commercial ~£350m	Markets ~£800m	Non-Core and Group Functions ~£900m
■ One step process of customer on-boarding ■ Radically improve customer self service ■ Simplify frontline life ■ Single View of Customer ■ Enhanced digital experience ■ e2e process efficiency ■ Enable digital to customers with emphasis on mobile	■ Enhance customer experience through e2e process improvement ■ Improve customer proposition with focus on simplified product suite where Markets is highly competitive ■ Optimise country foot-print to best serve UK based customer franchise ■ Simplify internal organisation and operating model	■ Rapid draw-down of Non-Core ■ Aggressively reduce stranded costs as group reduces its size ■ Optimise demand for group services ■ Simplify and de-duplicate services offered by functions across group and divisions

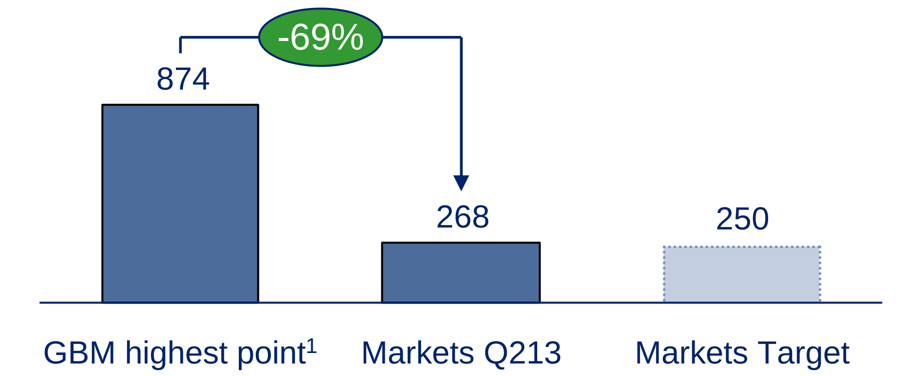
… Cost savings by division

- Retail and Commercial programme designed to improve customer experience while enhancing efficiency
- Markets has broad-based plan as part of re-size and re-shape of the business
- Non-Core shrink releases costs; Group functions need to be leaner to reflect smaller size of Group

Markets – a clear strategy

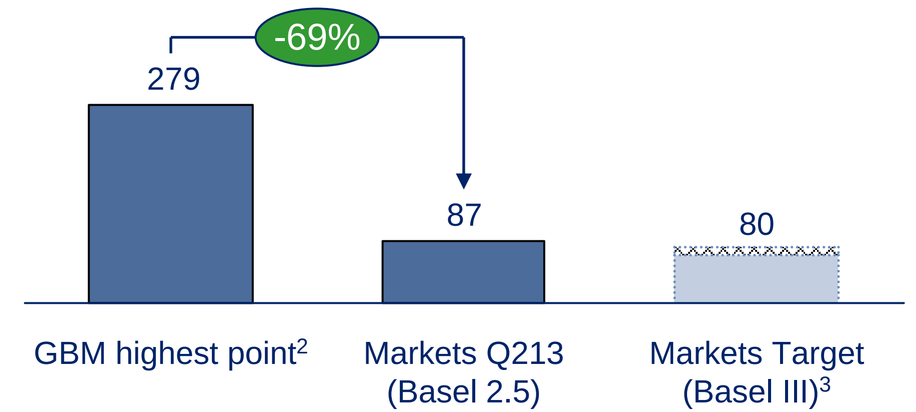
Assets reduced by over 2/3rds since peak

GBM / Markets TPAs, £bn



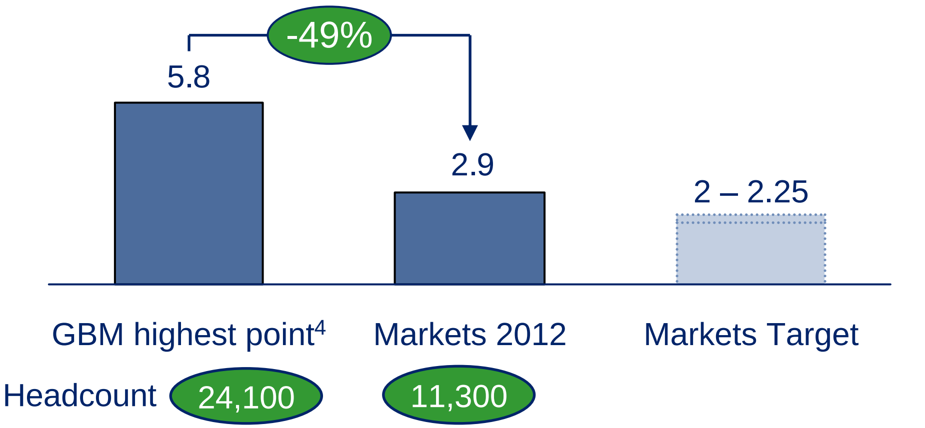
Good RWA progress despite regulatory uplifts

GBM / Markets RWAs, £bn



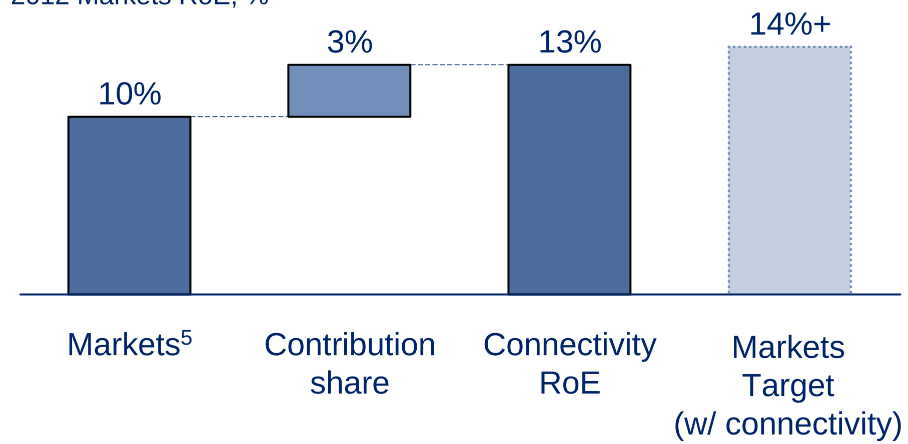
Costs have been reduced – more to do

GBM / Markets Expenses, £bn



Target solid returns, supporting corporate franchise

2012 Markets RoE, %

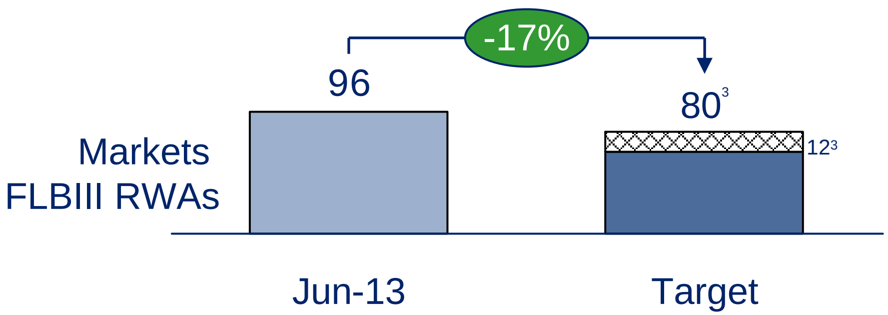


[1] FY 2007. [2] As at FY 2008. [3] End 2014. Includes run-off and exit businesses. [4] GBM FY 2007 proforma costs, includes manufacturing allocation, does not include Central costs. [5] Ongoing business.
Note: GBM included businesses now reported in Non-Core or International Banking and other divested businesses.

Markets progression to re-shaped and re-sized business under way

Where we are heading

	2012	Target[1]
Income	£4.5bn	£3-3.25bn
Expenses	£2.9bn	£2-2.25bn
Operating profit	£1.6bn	> £1.0bn
RoE (overall / active)[2]	10%	~10/12%
Connectivity RoE (overall / active)[2]	13%	~14/16%



- Lower balance sheet consumption, with greater focus on core customer needs
- Expect cost reduction to lag revenue reduction during transition

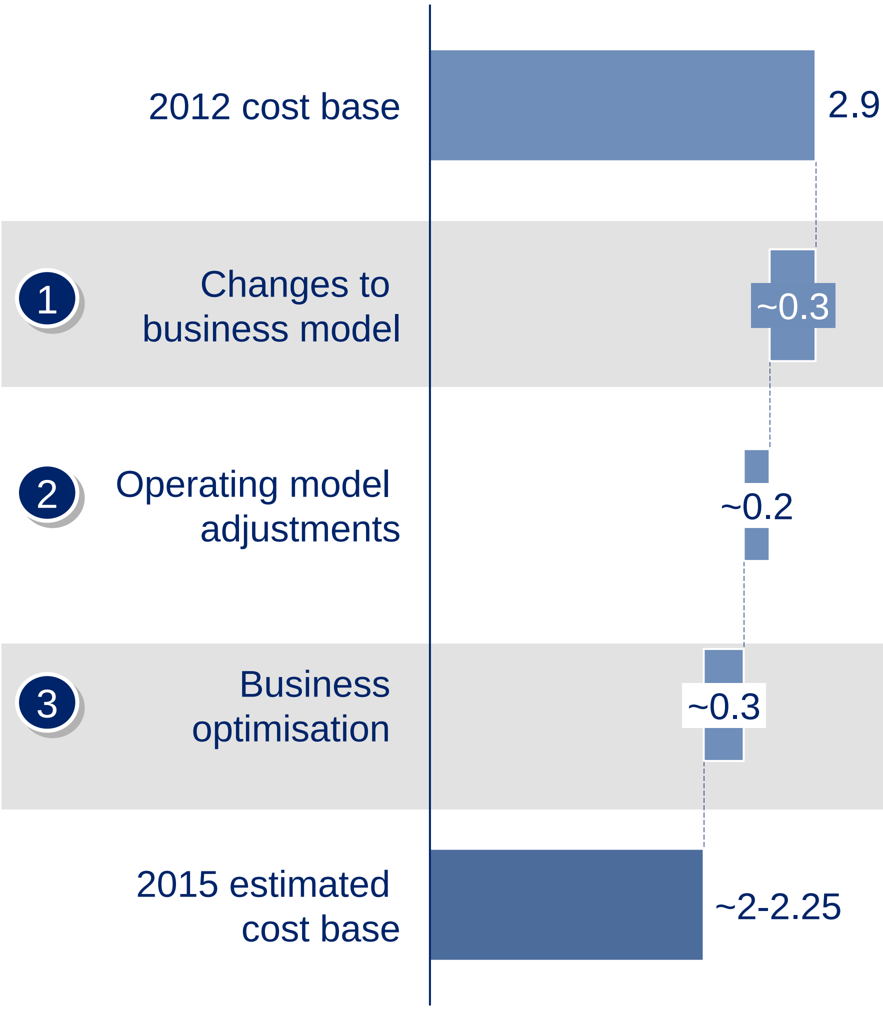
How we will get there

- Focus on fixed income product suite only (FX, Rates, DCM/Credit and Asset Backed Products), where Markets is a top tier and credible player. Also serves Group's Financial Institutions clients
- Led from the UK, with trading largely hubbed in 4 major financial centres, and supporting the International Banking network
- 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
- Key areas for exit or run-off: structured retail investor products, equity derivatives, peripheral market making activities
- Carefully managing employee impacts

[1] Transition materially complete by end 2014 but full annualised savings realised in FY 2015. [2] Active RoE excludes c.£12bn RWAs relating to medium-term run-off and exit businesses. [3] End 2014. Includes run-off and exit businesses.

Markets – clear plan on costs

Planned cost reductions, £bn

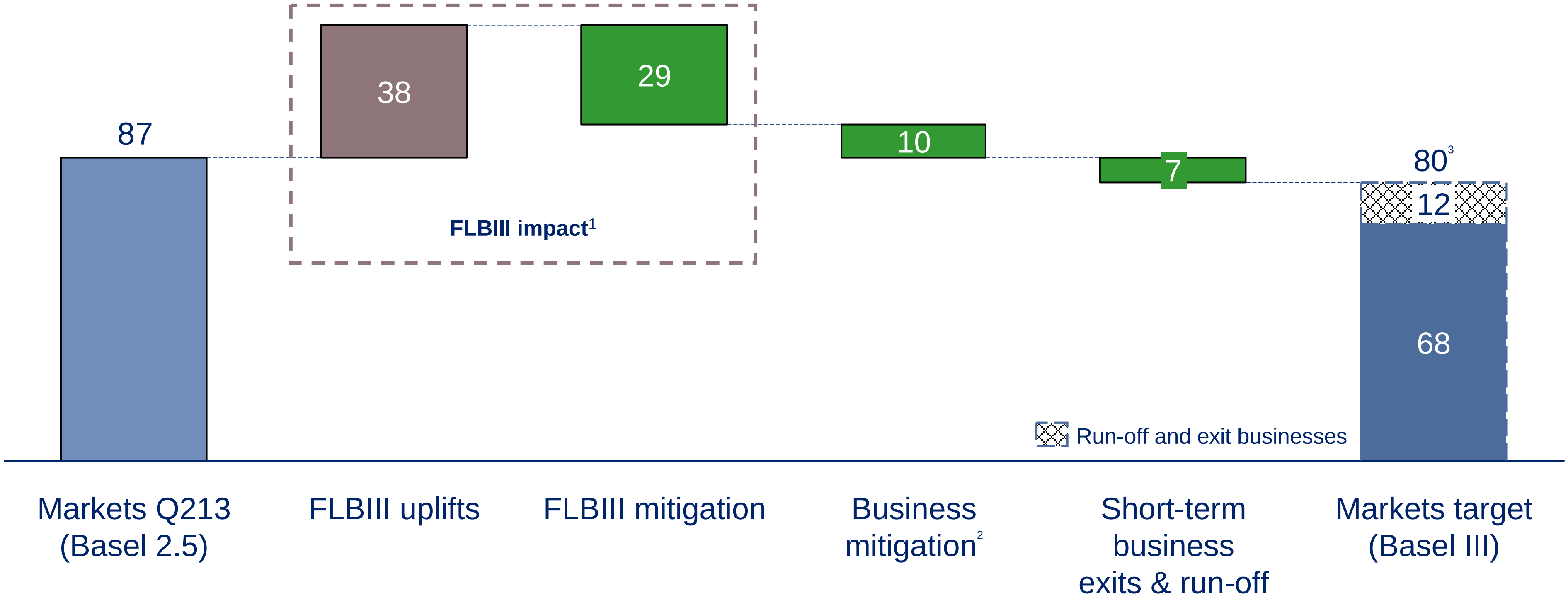


Sample initiatives

1. Simplified product suite – fixed income product suite only, where Markets is highly competitive
1. Key areas for exit or run-off: structured retail investor products, equity derivatives, peripheral market making activities
2. Rescale operating model to new business, with trading hubbed in 4 major financial centres, and supporting the International Banking network
3. Enhance customer experience through front-to-back process improvement
3. Simplify internal organisation and operating model
3. Reduced complexity, fewer IT applications, improved controls and tighter risk management

Markets – clear plan for RWAs

Markets RWAs, £bn



- Excellent RWA progress – down £14.5bn in H113
- On track to achieve £80bn 'fully loaded' Basel III RWA target by end 2014[2]
- £12bn will be run-off over time

[1] Fully Loaded BIII RWAs, at 30th June, assumes full IMM model suite. [2] Mitigating activities such as line-by-line reviews, infrastructure enhancements, etc. [3] End 2014. Includes c.£12bn RWAs relating to medium-term run-off and exit businesses. Run-off and exit assets comprise products such as long dated derivatives.

Non-Core performance

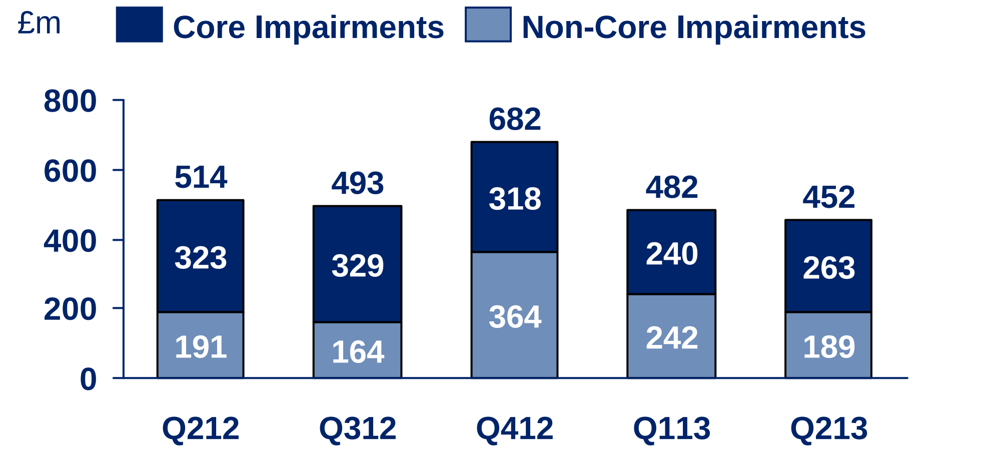
£m	H113	H112	H113 vs. H112	Q213	Q113
Net Interest Income (NII)[1]	2	201	(199)	30	(28)
Non-Interest Income	364	69	295	243	121
Total Income	**366**	**270**	**96**	**273**	**93**
o/w de-risking gains/(losses)	*66*	*(256)*	*322*	*30*	*36*
o/w disposal gains/(losses)	*(68)*	*143*	*(211)*	*(11)*	*(57)*
Operating Expenses	(321)	(525)	204	(156)	(165)
Profit / (Loss) before impairment losses	**45**	**(255)**	**300**	**117**	**(72)**
Impairment Losses	(831)	(1,096)	265	(398)	(433)
o/w Ulster Bank	*(430)*	*(455)*	*25*	*(188)*	*(242)*
o/w Other	*(401)*	*(641)*	*240*	*(210)*	*(191)*
Operating Loss	**(786)**	**(1,351)**	**565**	**(281)**	**(505)**
TPAs[2], £bn	45	72	(27)	45	53
RWAs, £bn	46	83	(37)	46	55

- Excellent progress in H113. Operating Loss down 42% YoY, supported by lower impairments and continued focus on reducing expenses
- Funded Assets reduced by a further £7.5bn QoQ, £4bn run-off and £3bn disposals
- Expect to surpass original FY13 £40bn TPA target. New target £36bn to £38bn
- 2016 target £20bn through natural run-off

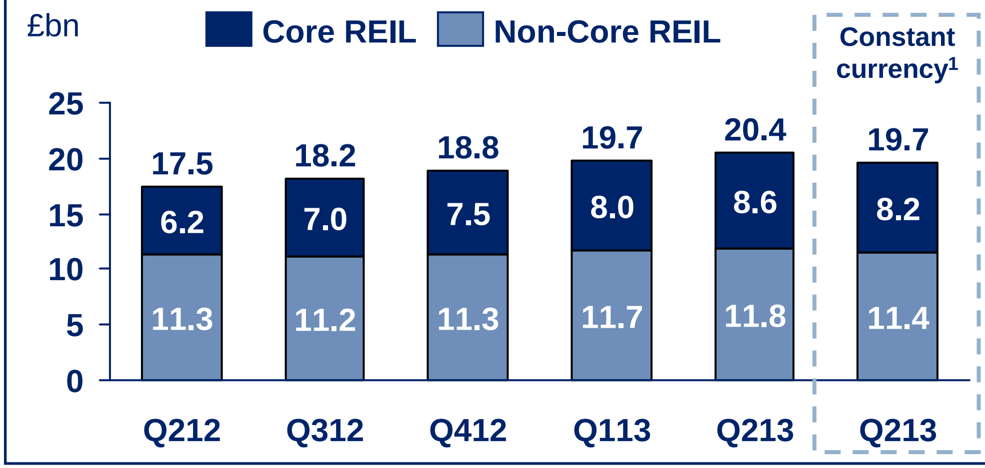
[1] Including Treasury Allocation. [2] Third party assets, excluding derivatives.

Ulster Bank – remain cautiously optimistic as trends improving

Core / Non-Core impairments by quarter

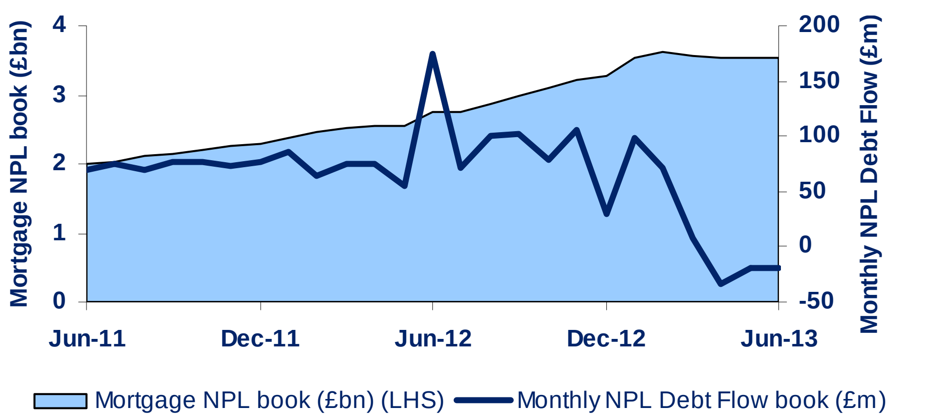


REIL trend

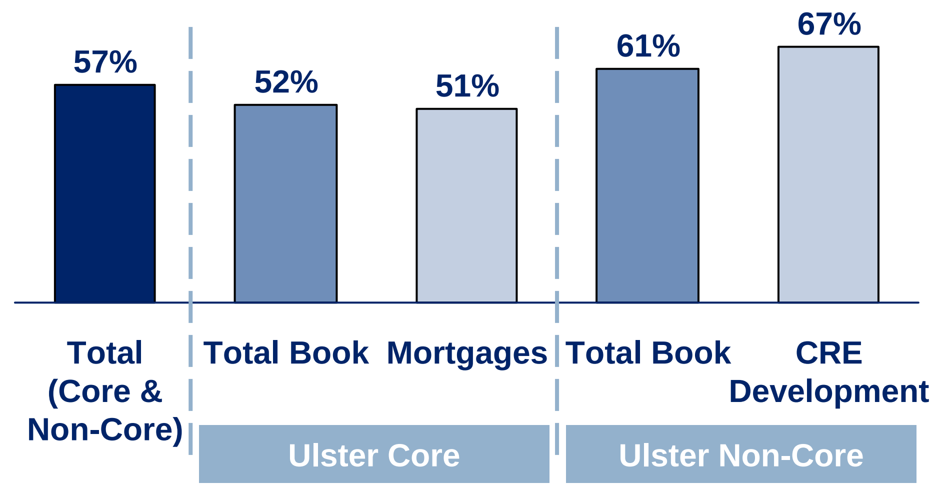


Mortgage delinquencies falling

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

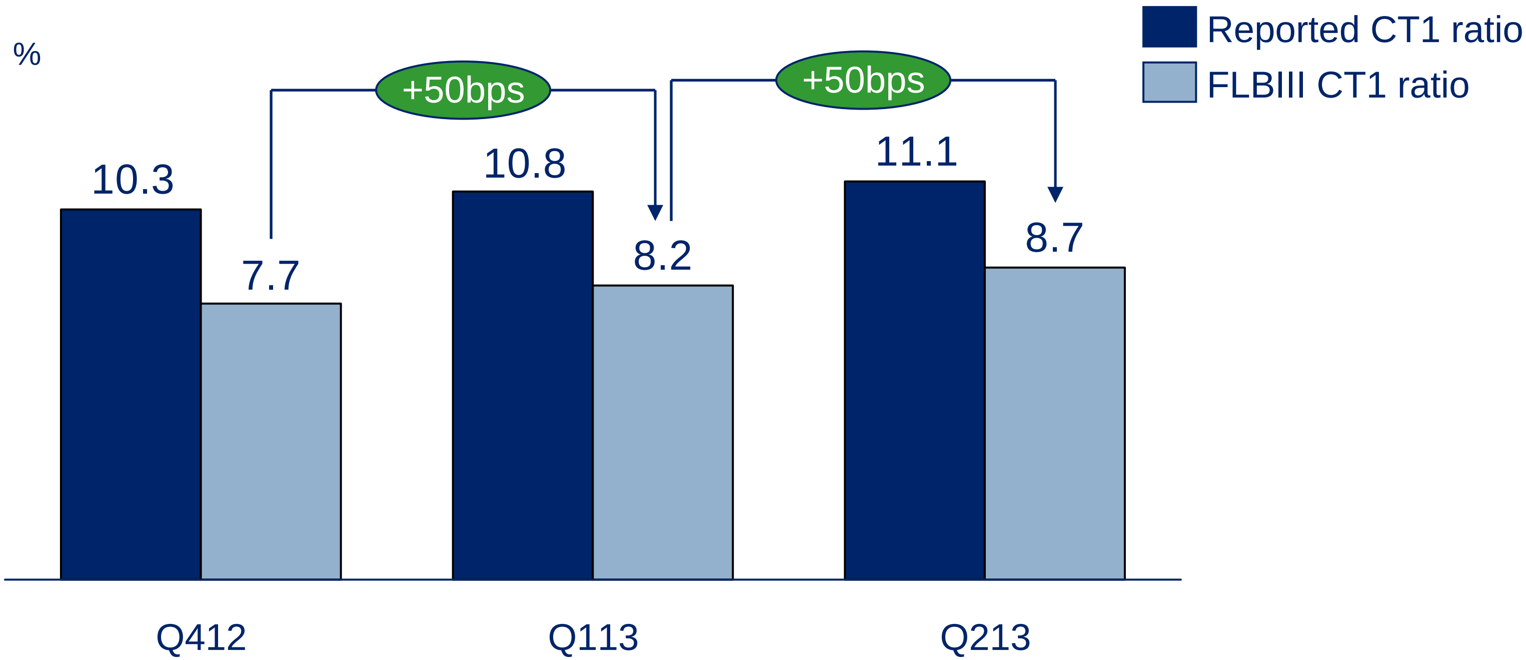


Good provision coverage maintained



[1] Q213 restated on the basis of 31 Dec 2012 spot FX rate.

Clear path to a strong CT1 ratio as we return to profitability



- Reported CT1 ratio up 30bps to 11.1%, 'fully loaded' Basel III ratio up 50bps to 8.7%
- Target over 9% 'fully loaded' ratio by end 2013 and approaching 10% by end 2014
- Strong track record of delivery in spite of high restructuring and Non-Core and Ulster costs

Note: PRA Board imminently considering approval of EPE model.

Conclusions

Core Franchises	■ R&C resilient despite muted client activity ■ Commenced Markets restructuring; end-state clear ■ Expenses remain tightly managed, cost guidance enhanced ■ YoY improvement in impairments driven by Ulster ■ Strong market share across key franchises. Customer satisfaction and advocacy scores trending upwards in a number of important segments
Non-Core and Risk	■ Excellent progress in H113. TPAs down £7.5bn QoQ, £213bn since inception ■ Expect to surpass original FY13 £40bn TPA target; £36-38bn new target ■ Credit trends in Ireland continue to be encouraging
Balance Sheet	■ Strong position maintained; ready to lend ■ Funding and lending 'gold standard' engraved in Balance Sheet
Capital Position	■ Continued strong record of capital build ■ Reported CT1 ratio up 30bps to 11.1%, 'fully loaded' Basel III ratio up 50bps to 8.7% ■ Target over 9% 'fully loaded' ratio by end 2013 and approaching 10% by end 2014

Appendix

Basel III ‘fully loaded’

£bn	FY12	Q113 fully loaded	H113 fully loaded
CT1 Ratio (current PRA rules)	10.3%	**10.8%**	**11.1%**
Core Tier 1 (current PRA rules)	**47.3**	**48.2**	**48.4**
Expected loss	(4.3)	(4.4)	(3.5)
DTAs	(3.2)	(2.9)	(2.6)
Securitisation	1.1	1.2	1.1
PVA / DVA	(0.6)	(0.6)	(0.5)
Pension	(1.1)	(0.8)	(0.8)
Other[1]	(1.1)	(0.8)	(0.9)
Pro-forma capital	**38.1**	**39.9**	**41.2**
RWAs (current PRA rules)	**460**	**446**	**436**
CVA uplifts	13	13	6
Securitisation	19	20	26
Other[2]	3	8	3
CRD IV impact	35	41	35
Reg. adjusted RWA	**495**	**487**	**471**
Fully loaded CET1 Ratio	7.7%	8.2%	8.7%

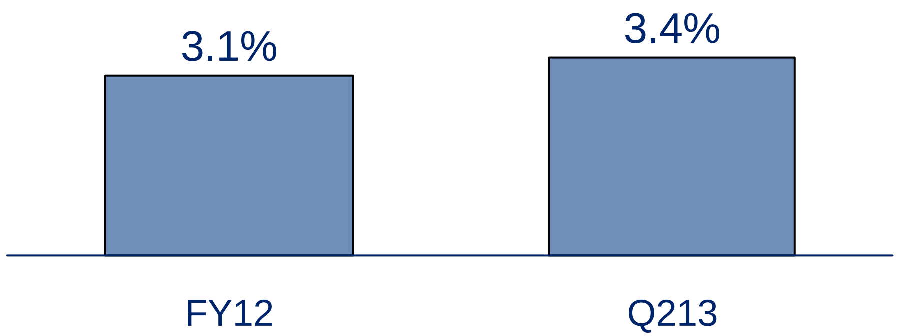
- Published CT1 ratio up 30bps to 11.1%
- H113 ‘fully loaded’ Basel III (FLBIII) ratio of 8.7% increased 50 bps vs. Q113
- Ratio is expected to improve further due to RWA and balance sheet reduction in Markets and Non-Core
- Capital deductions should further decrease as RBS normalises
- Target over 9% ‘fully loaded’ ratio by end 2013 and approaching 10% by end 2014

[1] Other includes MI, AFS and other reserve movements. [2] Reduction in Q2 primarily relates to the CRDIV reduction in Corporate SME risk weightings.

See the Company Announcement Appendix I for more detail and notes.

Leverage ratio acceptable and improving

Basel III full end point measure leverage ratio



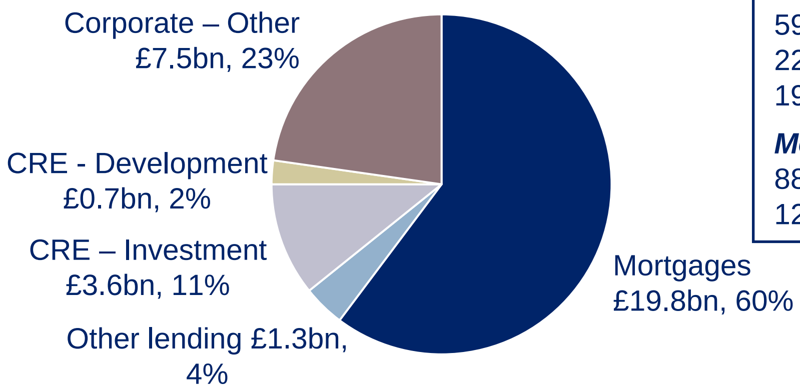
£bn	FY12	Q213
Fully loaded CRDIV Common Equity Tier 1 capital	**38.1**	**41.2**
Total assets	1,312	1,216
Netting of derivatives and securities financing transactions	(393)	(330)
Regulatory deductions and other adjustments	(15)	(4)
Potential future exposure on derivatives	131	149
Undrawn commitments	188	190
Leverage exposure	**1,223**	**1,221**

Note: Calculated on the Basel III basis. Based on the EU Capital Requirements Regulations (CRR) the ratio would be 3.1% as of Dec 12 and 3.4% as of Jun 13.

See the Company Announcement Appendix I for more detail and notes.

Ulster Bank

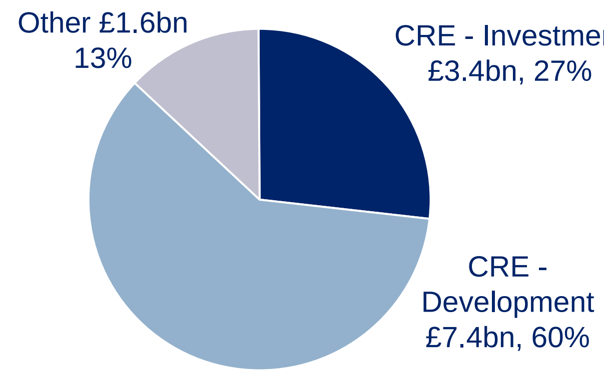
Core gross L&A, £32.9bn



CRE:
59% RoI
22% NI
19% UK

Mortgages:
88% RoI
12% NI

Non-Core gross L&A, £12.4bn

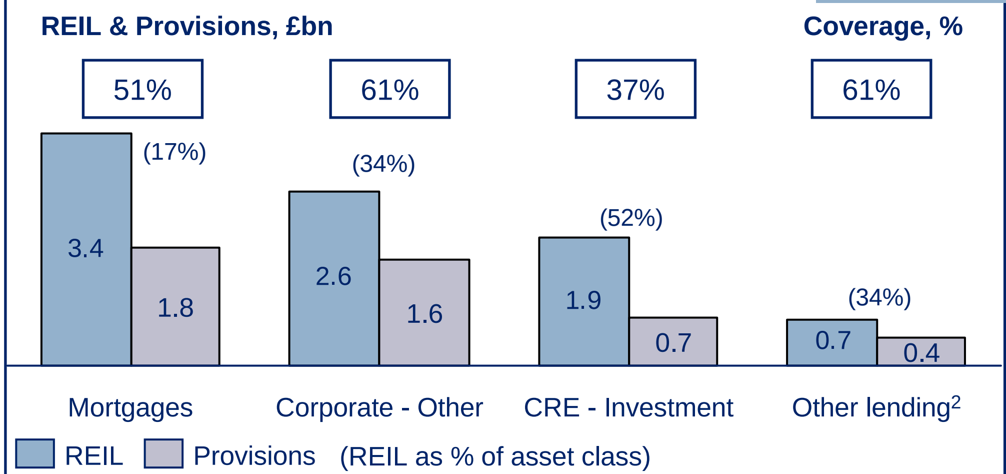


CRE:
65% RoI
27% NI
8% UK

Core REIL, Provisions & Coverage[1]

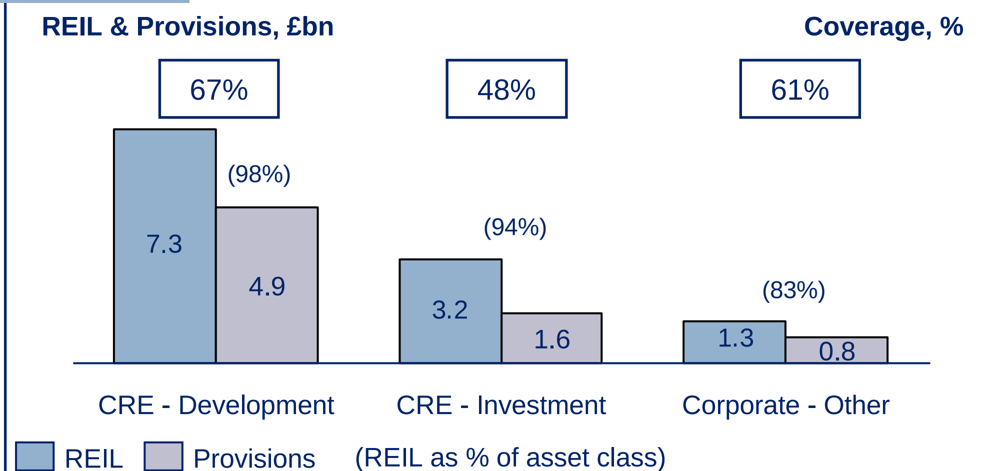
'In the pack' vs. peers

Total coverage 52%



Non-Core REIL, Provisions & Coverage[1]

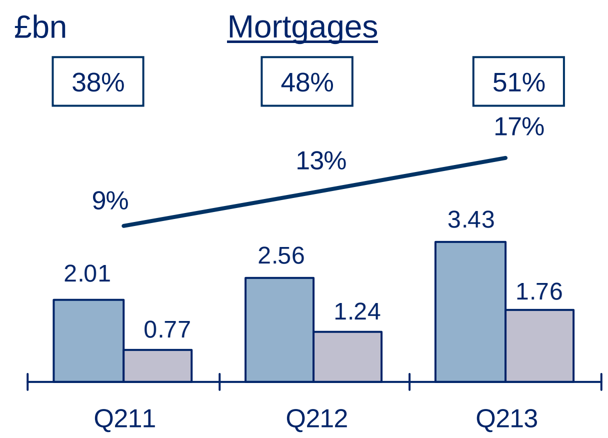
Total coverage 61%

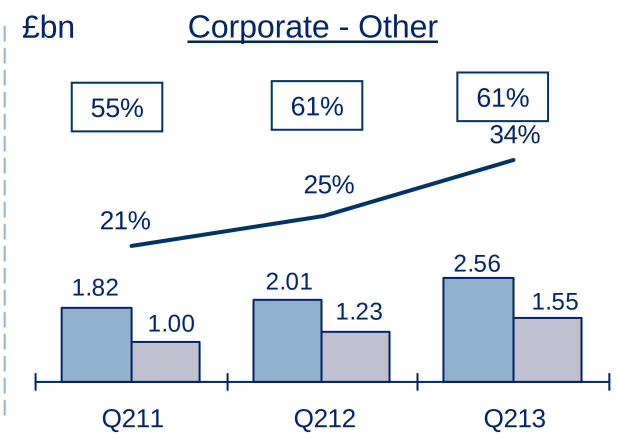


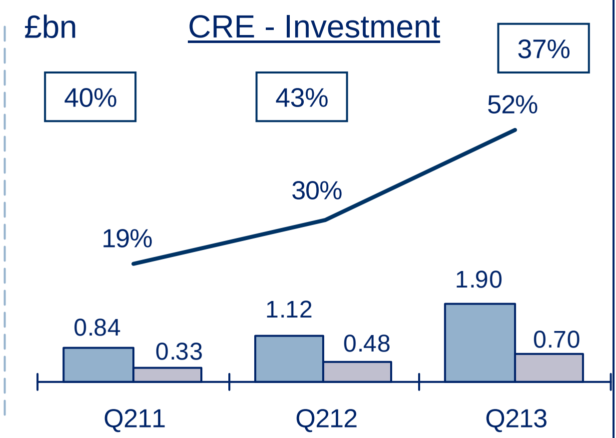
[1] Provisions as a % of Risk Elements in Lending (REILs). [2] Includes Core CRE Development lending REIL and provisions.

Ulster Bank asset quality

Core Ulster Bank, £32.9bn loan book – 52% provision coverage[1]

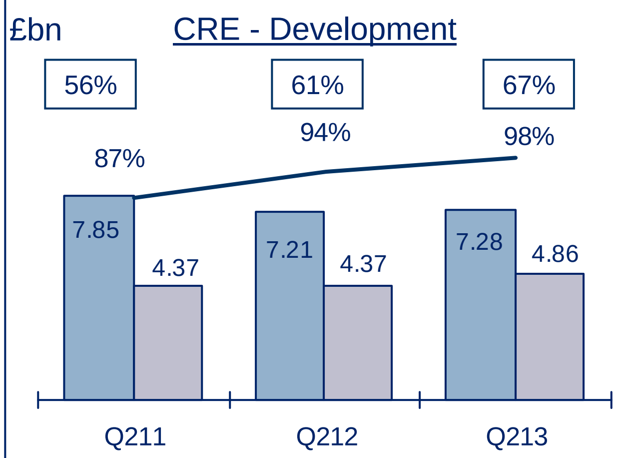


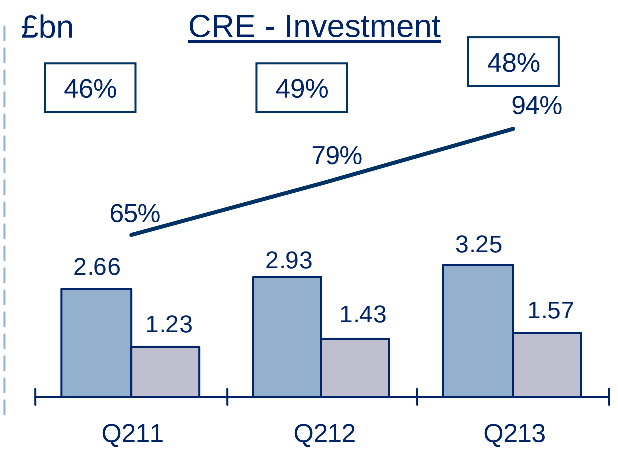


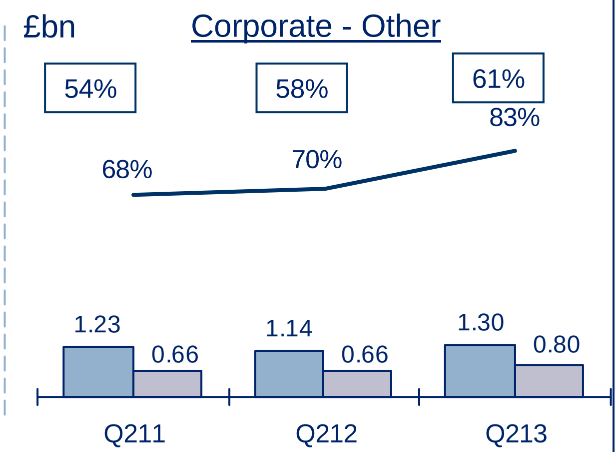


REILs, £bn Provisions, £bn REIL as % of gross L&A % Provision coverage[1]

Non-Core Ulster Bank, £12.4bn loan book – 61% provision coverage[1]







[1] Provisions as a percentage of REILs.

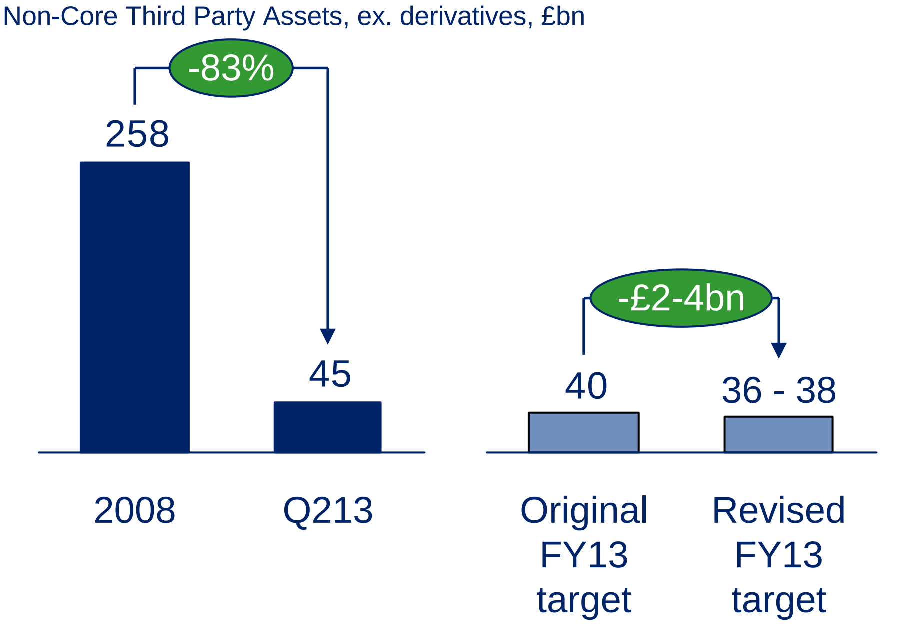
Markets performance

Revenues, £m	H113	H112	H113 vs. H112	Q213	Q113
Rates and Investor Products	735	1,431	(696)	395	340
Currencies	449	421	28	257	192
Asset Backed Products	611	805	(194)	174	437
Credit Markets	384	497	(113)	146	238
Total income ongoing business	**2,179**	**3,154**	**(975)**	**972**	**1,207**
Inter-divisional revenue share and Run-off businesses	(317)	(354)	37	(150)	(167)
Total Income	**1,862**	**2,800**	**(938)**	**822**	**1,040**
RWAs (£bn)	86.8	107.9	(21.1)	86.8	88.5

- Rates income fell YoY as risk was reduced and the trading performance was weaker, particularly following market reaction to US Federal Reserve comments on tapering quantitative easing
- Asset Backed Products continued to perform well, although income was lower as a result of a weaker market rally in 2013 compared with 2012; also affected in Q213 by the market reaction to Fed QE remarks
- Good RWA progress – down £14.5bn in H113 and £21bn YoY

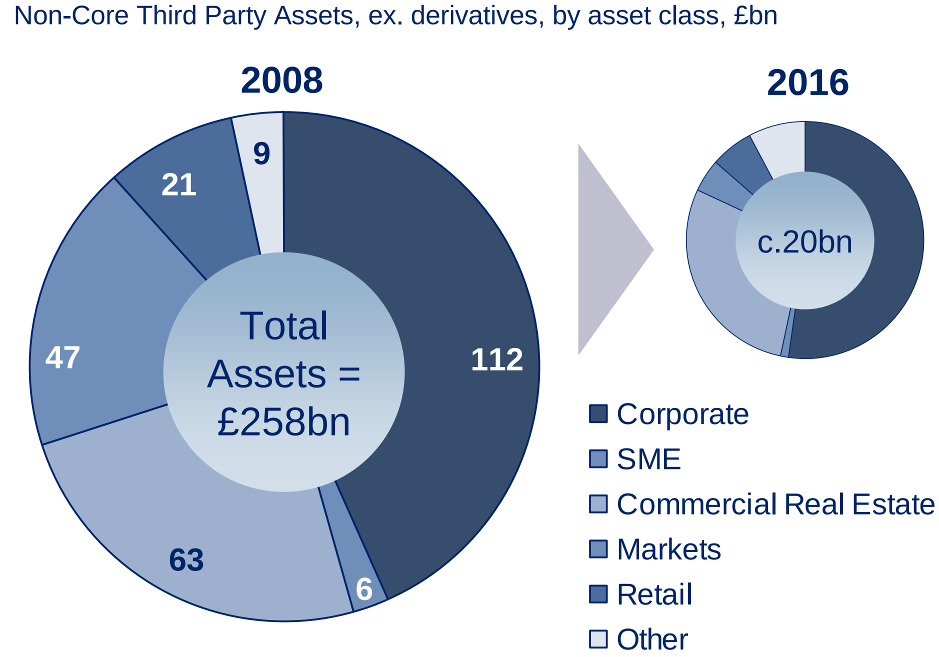
Non-Core 2013 improving: further reduction at lower cost

Improved Non-Core guidance



- FY13 revised target £36-38bn reflecting excellent progress in de-risking
- Solid disposal pipeline, over 100 deal data rooms open
- Forecast FY13 Operating Loss <£2bn, ahead of original expectations[1]

Move toward more passive management post 2013



Focus on reducing cost base:

- No major disposals planned post 2013
- Global Restructuring Group (GRG) will continue to manage down stressed assets actively. Focus on optimising recovery rates and releasing capital

[1] Target reflects the current Group estimate.

Non-Core asset class 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

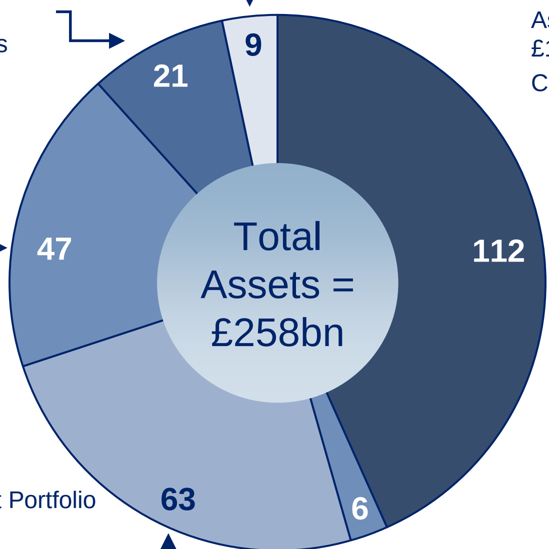
Asset Finance £24.2bn

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

Q2 2013 funded assets

Retail

US Mortgages & Personal Lending £2.6bn

Countries £0.4bn

Other

Shared Assets and Other £0.2bn

Corporate

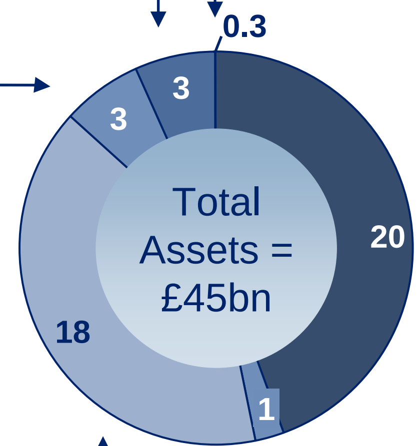
Project & Export Finance £4.9bn

Asset Finance £8.1bn

Leveraged Finance £1.8bn

Corporate Loans & Securitisations £4.3bn

Countries £0.8bn



Markets

Structured Credit Portfolio[1] £3.5bn

Commercial Real Estate

Real Estate Finance £11.2bn

UK B&C £1.5bn

Ireland £5.3bn

US £0.3bn

SME

UK SME £0.4bn

US SME £0.1bn

[1] SCP includes £2.3bn of Corporate, £0.4bn RMBS, £0.3bn CMBS, £0.1bn Trapped SPVs and £0.3bn Other ABS.