Re-building and Recovery

Q3 2010 Results

5th November 2010

Important Information

Certain sections in this presentation 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’, ‘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, capital ratios, liquidity, risk weighted assets, return on equity, cost-to-income ratios, leverage and loan-to-deposit ratios, funding and risk profile; the Group’s future financial performance; the level and extent of future impairments and write-downs; the protection provided by the 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. Such statements are subject to risks and uncertainties. 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.

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Contents

Key Business Highlights

- Group operating profit of £726m[1], up from £250m in Q210
- Core Bank operating profit up 10%[1] to £1,732m vs Q210
  - Continued momentum in Retail and Commercial
- Balance sheet risk reduced across asset profile, liquidity & funding position
- Good progress against Strategic Plan targets
  – Core RoE up 1% to 12%[1], Retail & Commercial RoE increases to 14%
- Non-Core run off progressing well
  - £20bn reduction in funded assets to £154bn; ahead of plan
- EU Disposals
  - Significant progress on EU disposals; 3 of 4 signed as of mid-October

[1] Excluding fair value of own debt

Key Q3 2010 financial highlights

RBS

Strong progress in R&C, partially offset by GBM

Core Business:

Operating profit	£1.7bn[1]	Lower impairments drive 10% improvement vs Q2
Return on Equity	12%[1]	Continues to progress
R&C NIM	3.23%, +32bps y-o-y	Driven by ongoing asset re-pricing
Adjusted C:I Ratio	58%[1,2]	Costs held flat; efficiency programmes funding investments
Impairments	£0.8bn (-29% q-o-q)	Continuing underlying improvement
Loan to deposit ratio	101%	Close to strategic target of 100%[3]

Group Balance Sheet Progress:

Funded assets[4]	£1,080bn, (-£4bn vs FY09)	Reflects Non-Core reduction, off-set by GBM seasonality
Non-Core run-off	£20bn reduction in TPAs[5]	Non-Core run-off tracking well to plan
Capital strength	Core Tier 1 of 10.2%	RBS remains a well capitalised bank

[1] Excluding Fair Value of Own Debt
[2] Adjusted cost:income ratio net of insurance claims
[3] Group target
[4] Funded assets as at 30 June 2010 £1,058bn
[5] Third party assets excluding derivatives

Tracking well to plan targets

RBS

Current position versus 2013 targets

Key performance indicator	Worst point	FY 09 Actual	Q3 10 Actual	2013 Target
Loan : deposit ratio (net of provisions)	154%[1]	135%	126%	c100%
Short-term wholesale funding[2]	£343bn[3]	£250bn	£178bn	<£150bn
Liquidity reserves[4]	£90bn[3]	£171bn	£151bn	c£150bn
Leverage ratio[5]	28.7x[6]	17.0x	18.0x	<20x
Core Tier 1 Capital	4%[7]	11.0%	10.2%	>8%
Return on Equity (RoE)	(31%)[8]	Core 13%[9]	Core 12%[9,10]	Core >15%
Adjusted cost : income ratio[11]	97%[12]	Core 53%[10]	Core 58%[10]	Core <50%

[1] As at October 2008 [2] Amount of unsecured wholesale funding under 1 year. Q310 includes £77bn of bank deposits and £101bn of other wholesale funding. 2013 target is for <£65bn of bank deposits, <£85bn of other wholesale funding. [3] As at 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 at June 2008 [7] As at 1 January 2008. [8] Group return on tangible equity for 2008 [9] Indicative: Core attributable profit taxed at 28% on attributable core spot tangible equity (c70% of Group tangible equity based on RWAs). [10] Excluding fair value of own debt. [11] Adjusted cost:income ratio net of insurance claims [12] 2008

Group financial highlights

Group P&L

	Q310 £m	Q210 £m	Q310 vs Q210	Q310 vs Q309
Income[1]	**7,917**	**8,163**	**(3%)**	**4%**
Operating Expenses	(4,096)	(4,103)	0%	(2%)
Claims	(1,142)	(1,323)	(14%)	0%
Profit before Impairment Losses[1]	**2,679**	**2,737**	**(2%)**	**20%**
Impairment Losses	(1,953)	(2,487)	(21%)	(40%)
Operating Profit/(Loss) before FVooD	**726**	**250**	**190%**	**n.m.**
Fair Value of own debt	(858)	619	n.m.	n.m.
Operating Profit/(Loss)	**(132)**	**869**	**n.m.**	**(91%)**
Gain on redemption of own debt	-	553	-	-
Strategic disposals	27	(411)[2]	n.m.	n.m.
Other[3]	(449)	(354)	27%	13%
APS CDS – fair value changes	(825)	500	n.m.	n.a.
Profit/(Loss) Before Tax	**(1,379)**	**1,157**	**n.m.**	**34%**
Tax (charge)/credit	261	(825)	n.m.	(55%)
Reported Attributable Profit/(Loss)	**(1,146)**	**257**	**n.m.**	**36%**

- Solid underlying performance
- Income reflects slowdown in GBM, down 20% q-o-q
- Costs well controlled
- Impairment losses showing continued improvement
- Attributable loss mainly results from FVooD (-£858m) and adverse £825m move in APS CDS

[1] Excludes fair value of own debt (£858m) Q310; £619m Q210; (£483m) Q309

[2] Life Assurance £235m, LatAm £142m

[3] Amortisation of intangible assets, Integration & restructuring costs, Bonus tax

Core & Non-Core performance

Core Division Q3 2010	Q3 10 £m	Q210 £m	Q310 vs Q210	Q310 vs Q309
Income[1]	**7,029**	**7,290**	**(4%)**	**(7%)**
Operating Expenses	(3,517)	(3,511)	0%	(4%)
Claims	(998)	(1,108)	(10%)	(2%)
Profit before Impairment Losses[1]	**2,514**	**2,671**	**(6%)**	**(11%)**
Impairment Losses	(782)	(1,097)	(29%)	(36%)
Operating Profit/(Loss)[1]	**1,732**	**1,574**	**10%**	**7%**
Operating Profit/(Loss) after FVooD	874	2,193	(60%)	(23%)

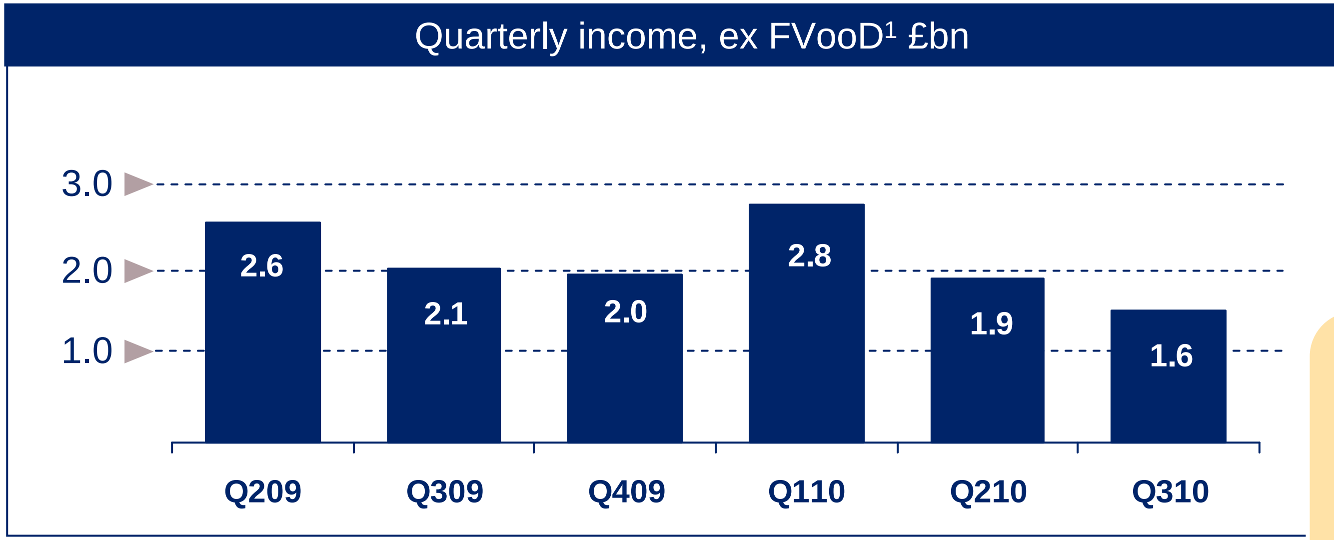
Non-Core Division Q3 2010	Q3 10 £m	Q210 £m	Q310 vs Q210 £m	Q310 vs Q309 £m
Income	**888**	**873**	**15**	**834**
Operating Expenses	(579)	(592)	13	(53)
Claims	(144)	(215)	71	(18)
Profit before Impairment Losses	**165**	**66**	**99**	**763**
Impairment Losses	(1,171)	(1,390)	219	895
Operating Profit/(Loss)	**(1,006)**	**(1,324)**	**318**	**1,658**

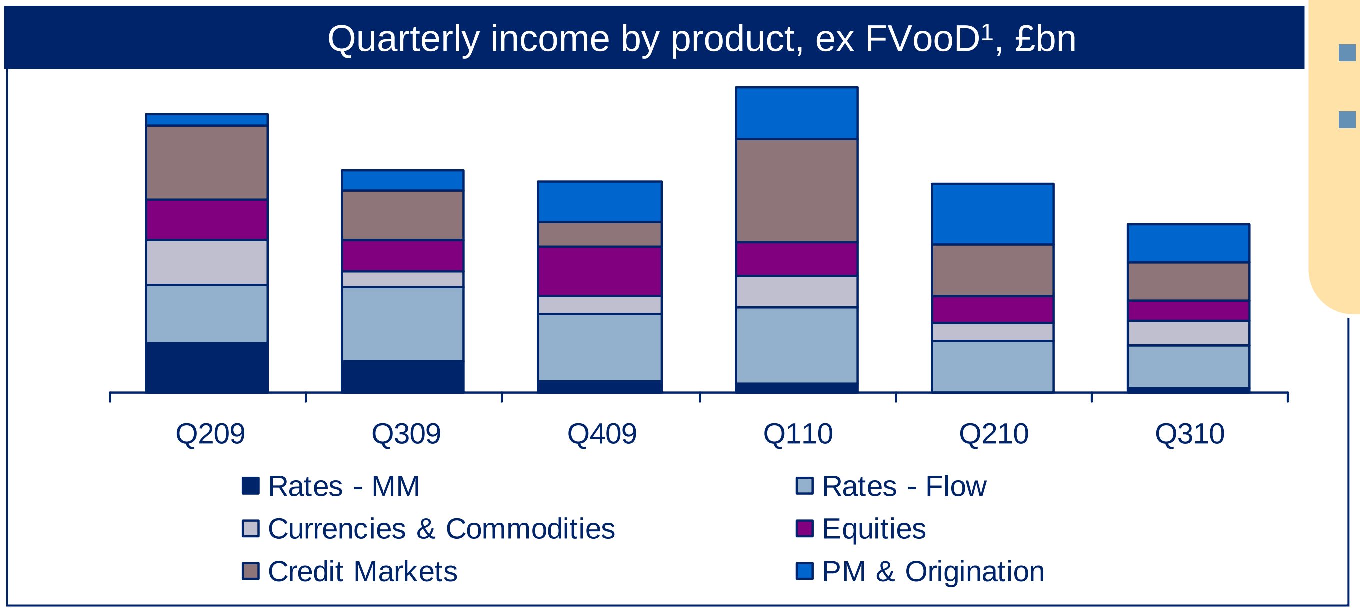
- Operating profit up 10% to £1.7bn[1]
- Strong progress in Retail & Commercial, operating profit up 12%
- GBM revenue down 20% reflecting weak flows
- Impairment losses down 29%, widely spread

- Resilient income reflecting improved credit market conditions
- NII down reflecting reduction in balance sheet and higher funding costs
- Impairment losses continue to trend down

[1] Excludes fair value of own debt: (£858m) Q310; £619m Q210; (£483m) Q309

GBM performance





- Overall revenues fell 20%
- Subdued markets and low volatility across flow products
- Improved currencies performance
- Business mix adverse versus peers; underweight flow credit outside of US mortgages, and emerging markets

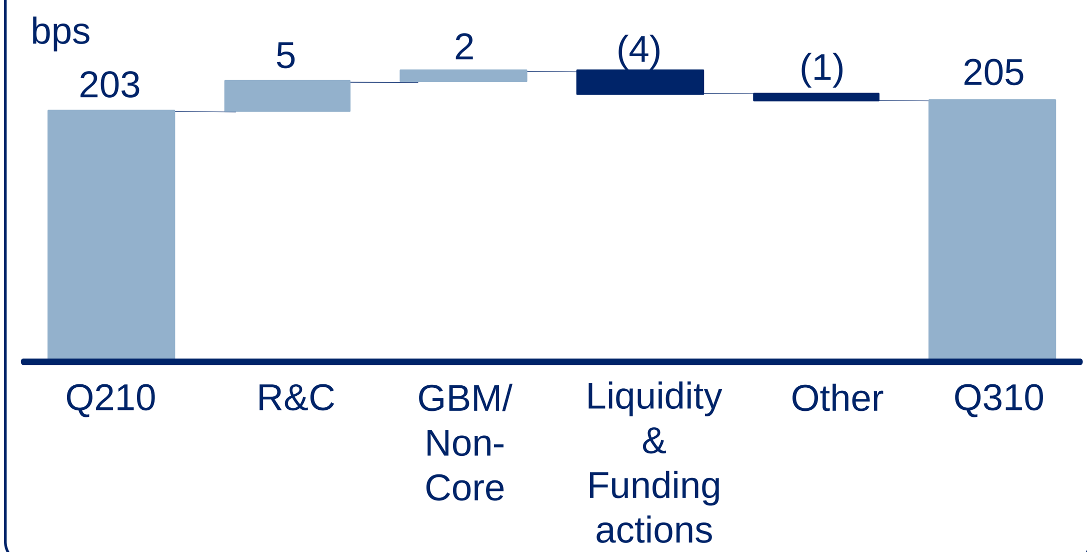
[1] Excludes fair value of own debt: (£482m) Q209, (£320m) Q309, £106m Q409, (£32m) Q110, £331m Q210, (£598m) Q310.

NIM and future outlook

Progression & outlook

	Q409	Q110	Q210	Q310
Group NIM	1.83	1.92	2.03	2.05
R&C NIM	3.04	2.97	3.11	3.23
GBM	0.89	1.11	1.01	1.14
Non-Core	1.17	1.25	1.22	1.05

Group NIM – Q310 vs Q210



- Group and R&C NIM increased from lows of 1.7%[1] and 2.7%[1], respectively
- Retail & Commercial NIM up 12bps due to asset margin widening
- 75-80% of assets have re-priced – more in Retail, less in Corporate
- Incremental costs of liquidity build and term funding issuance cost 4bps in Q3
- Outlook: Continued modest expansion in NIM over near term
  - R&C positive
  - Balance sheet impacts partial offset

[1] Q2 2009 (Group NIM low), Q1 2009 (R&C NIM Low) [2] Retail & Commercial comprises UK Retail, UK Corporate, Wealth, Global Transaction Services, Ulster Bank and US Retail and Commercial divisions

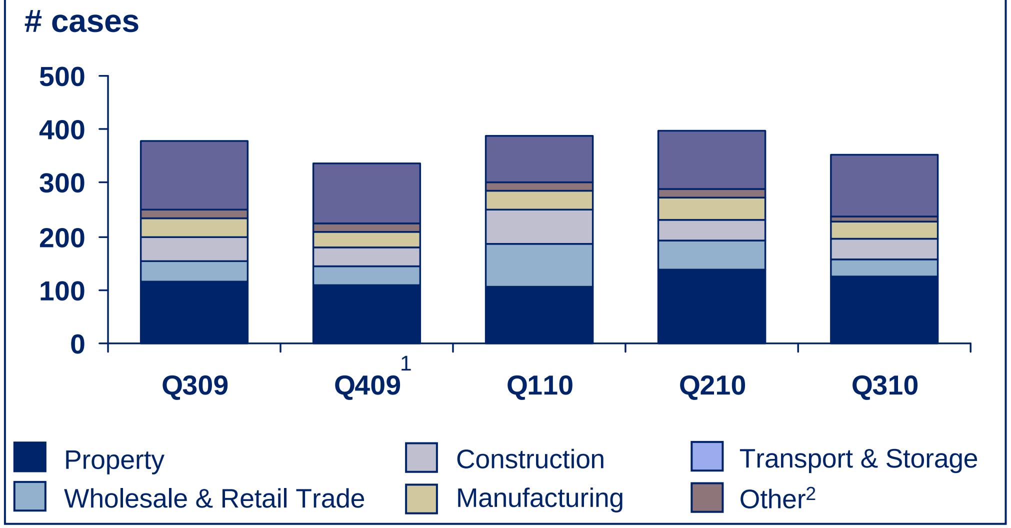
Group impairments and outlook

Group credit trends, Q409 – Q310

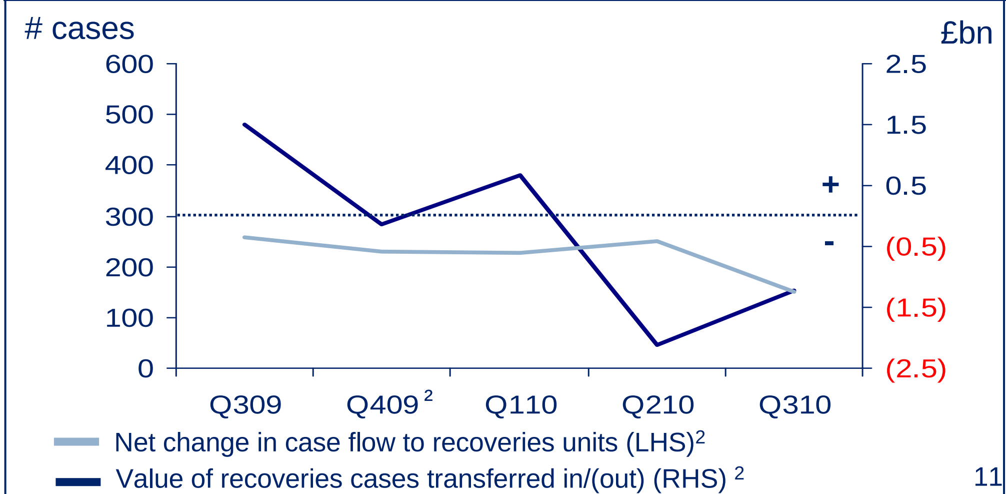
	Q409	Q110	Q210	Q310
Group Impairment charge, £m	3,099	2,675	2,487	1,953
o/w Core, £m	*1,288*	*971*	*1,097*	*782*
o/w Non-Core, £m	*1,811*	*1,704*	*1,390*	*1,171*
% of gross L&A	$\boxed{2.1\%}$	1.8%	1.8%	$\boxed{1.4\%}$
REILs & PPLs £bn	35.9	37.1	37.3	38.8
% of gross L&A	6.2%	6.4%	6.6%	7.1%

- REILs continue to gradually rise
  - Ulster Bank commercial property portfolio
  - £0.9bn relating to currency translation
- Impairment charge as a % of L&A continues to fall
- Stable/improving trends in cases transferred to recoveries units
- Remain cautious due to weak macro environment

No. wholesale cases transferred to Recoveries Units globally



Net no. & value of wholesale cases transferred to Recoveries Units globally



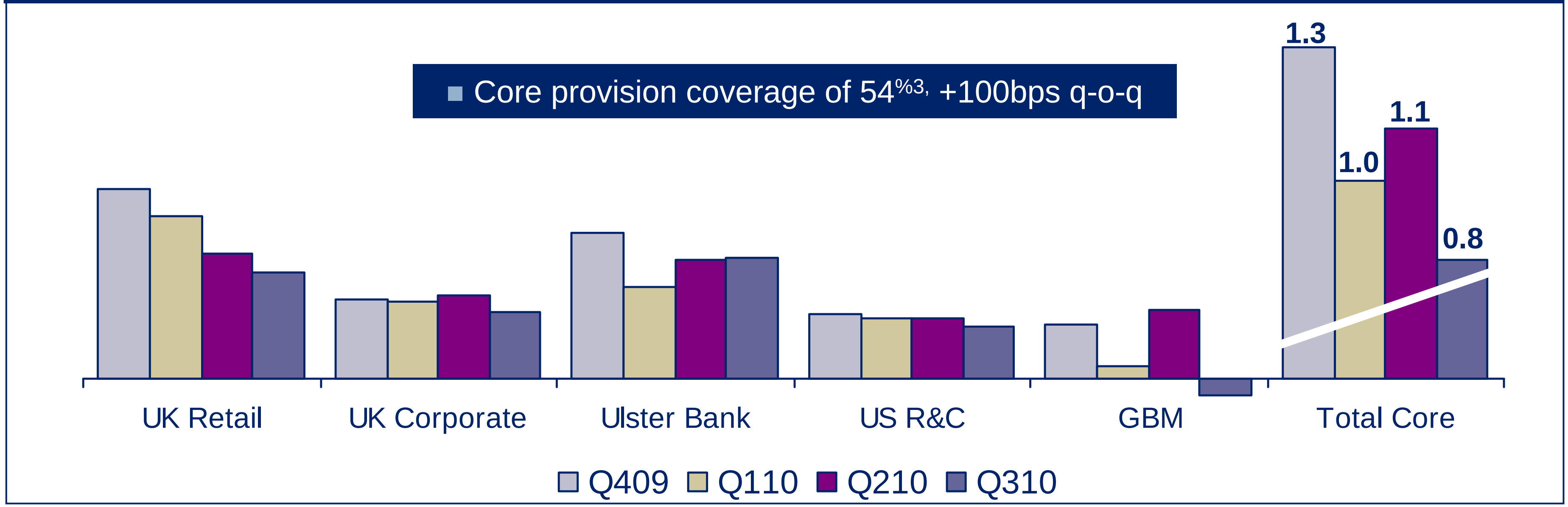
[1] Q409 excludes transfer to GRG reflecting revised management of Ulster Non-Core property portfolio

[2] Other is spread across a large number of sectors incl TMT, Tourism & Leisure and Business Services

Core impairments

	Q409 % L&A[1]	Q210 % L&A[1]	Q310 % L&A[1]	Q310 £m	Comments:
UK Retail	1.8	1.1	0.9	251	Continued improvement in unsecured portfolios
UK Corporate	0.7	0.7	0.6	158	Improved collective provisions position
Ulster Bank	3.5	3.1	3.0	286	Remain elevated reflecting weak economy & property
US R&C	1.3	1.1	1.0	125	Gradual improvement in underlying credit environment
GBM	0.6	0.7	(0.2)	(40)	A number of small recoveries
Other[2]	0.2	n.m.	n.m.	2	
Total Core	**1.2**	**1.0**	**0.7**	**782**	**Continuing underlying improvement**

Core impairments by division Q409 – Q310, £bn

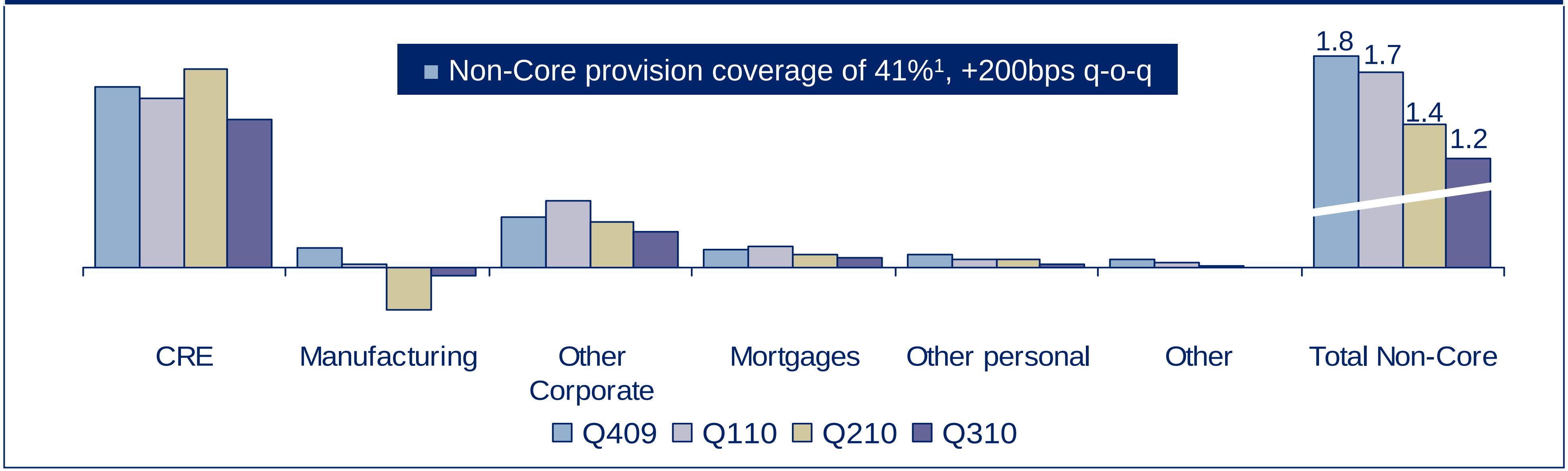


[1] Impairments as a % of L&A excludes Available for Sale [2] Includes Wealth, GTS, RBS Insurance and Central Items [3] Provisions as a percentage of REILs

Non-Core impairments

	Q409 £m	Q110 £m	Q210 £m	Q310 £m	Comments:
CRE	1,120	1,050	1,224	921	Continued elevated high levels, particularly Ulster Bank
Manufacturing	125	24	(260)	(48)	Sector cashflows improving
Other Corporate	318	411	281	224	
Mortgages	116	137	80	60	Reflecting improvements in US SBO
Other personal	50	51	49	17	Reflecting improvements in US auto & consumer
Other	53	31	16	(3)	
Total	**1,811**	**1,704**	**1,390**	**1,171**	**Underlying impairments continue to slow**

Non-Core impairments by asset type Q409 – Q310, £bn



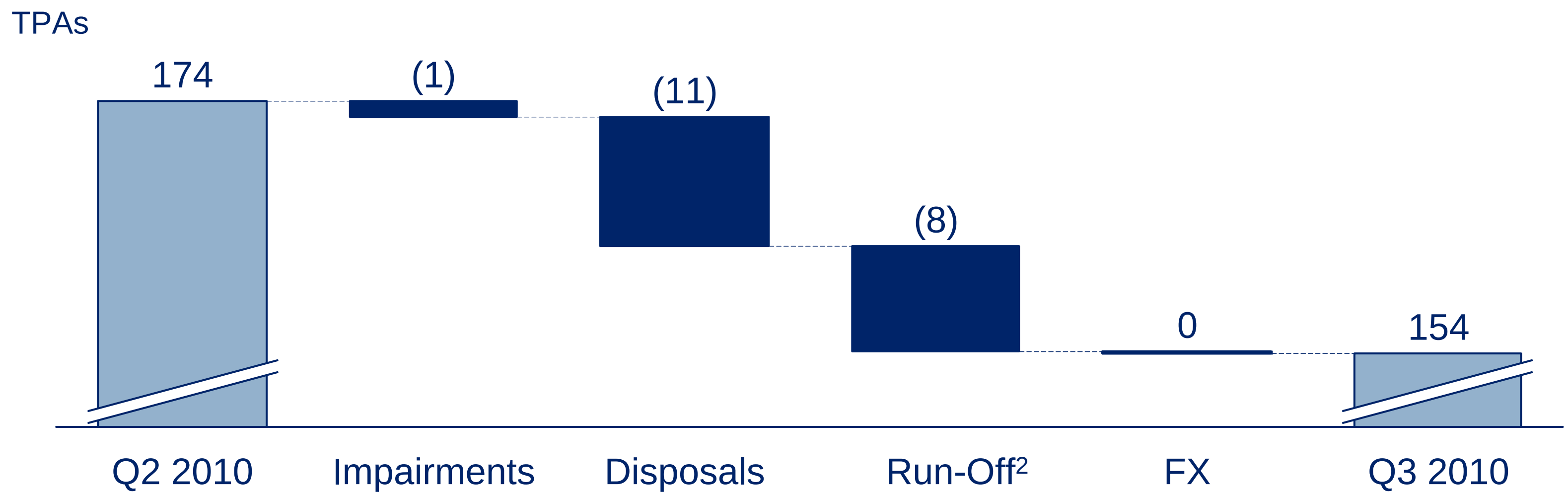
[1] Provisions as a % of REILs

Re-building and Recovery

Balance sheet, funding & capital

Non-Core asset reduction

Non-Core asset reduction[1] Q3 10, £bn



- £20bn reduction in funded assets to £154bn; an additional £9bn signed but pending
- Good progress on disposals - £4bn reduction from country & whole business exits (inc partial disposal of Sempra) and £7bn related to asset portfolios
- Country disposals largely completed
- Run-off[2] accelerated from £6bn in Q2 to £8bn in Q3
- On track to exceed original FY 2010 TPA target of £143bn

[1] Third party assets excluding mark to market derivatives
[2] Net of rollovers and drawings

Funding and liquidity

More resilient funding base, further termed-out funding

Evolution of Group funding mix towards more stable long-term funding sources[1]

	FY09		Q210		Q310	
	£bn	%	£bn	%	£bn	%
Customer deposits	414	51	421	55	421	55
Total wholesale	278	34	245	32	263	34
o/w Wholesale <1 year	*139*	*50*	*106*	*43*	*101*	*38*
o/w Wholesale >1year	*139*	*50*	*139*	*57*	*162*	*62*
Deposits by banks	116	14	97	13	80	11
o/w <1year	*110*		*92*		*77*	
Total	**808**	**100**	**762**	**100**	**764**	**100**

Key Funding Metrics

	FY09	Q210	Q310
Loan:deposit ratio (Group)[2]	135%	128%	126%
Core	104%	102%	101%
Loan:deposit gap (Group)[3]	£142bn	£118bn	£107bn
Core	£16bn	£8bn	£5bn
Liquidity reserves	£171bn	£137bn	£151bn
o/w FSA eligible govt. bonds:	£20bn	£25bn	£31bn
Net Stable Funding Ratio[4]	96%	98%	103%
Wholesale funding > 1 year[5]	50%	57%	62%

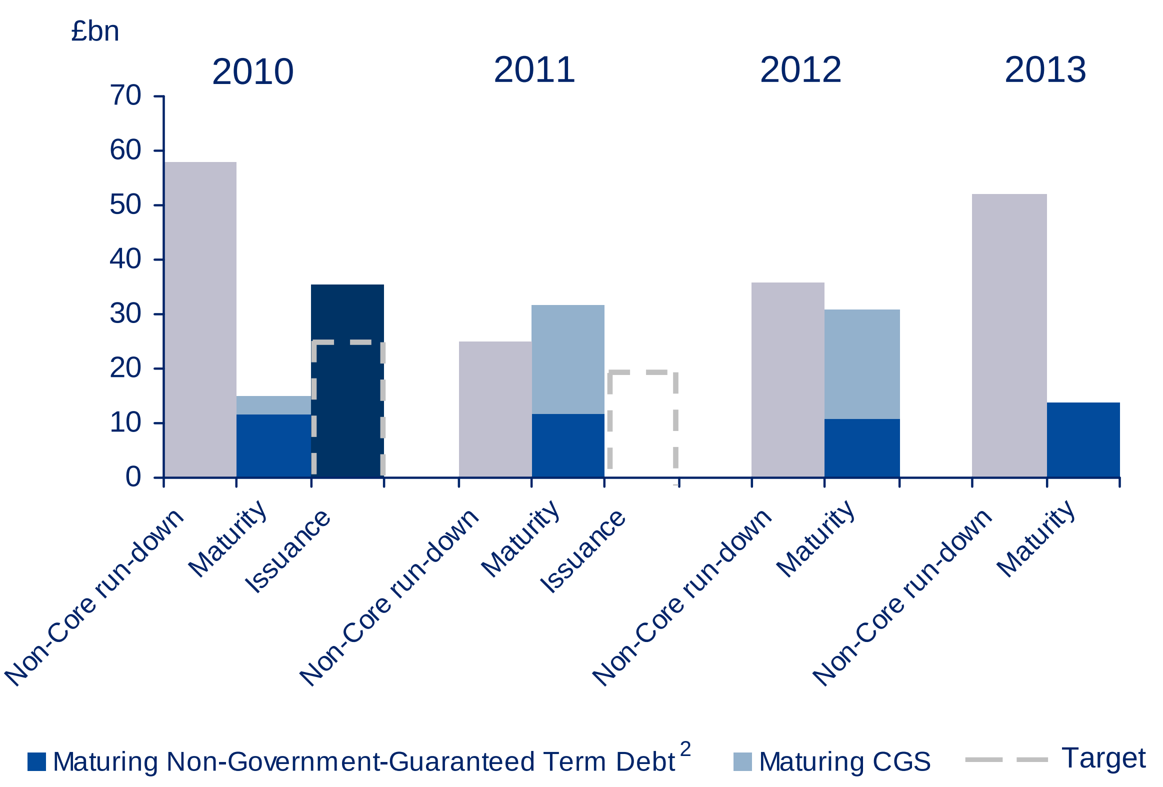
- 2010 YTD reduction of £72bn (29%) in short-term wholesale funding, including bank deposits, to £178bn
- Mix of wholesale funding greater than 1 year increases to 62%, from 57% in Q210 and 50% at FY09
- Liquidity reserves of £151bn, FSA eligible government bonds £31bn

[1] Funding profile excluding derivatives, repos and other liabilities [2] Net of provisions [3] Net loans & advances to customers less customer deposits (excluding repos) [4] Source RBS. Net Stable Funding Ratio measures the level of net stable funding divided by long-term assets [5] Term and subordinated debt only, excludes bank deposits.

Funding - Issuance

Continued progress on reduction of short-term wholesale funding reliance

2010 gross issuance target exceeded



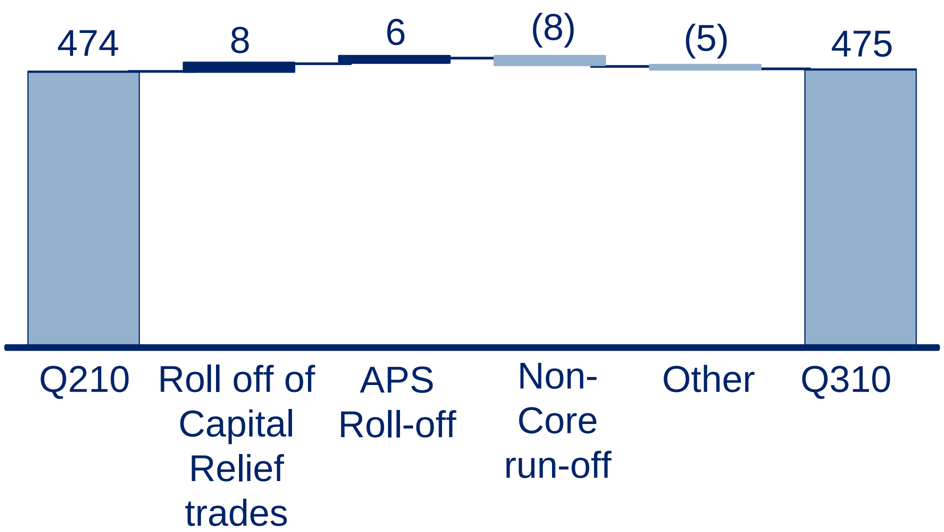
- £35bn[1] YTD term funding achieved vs. £25bn 2010 target
- Market conditions much improved in H2
- Transactions spanned multiple currencies, tenors and markets
- Strong private placement capabilities linked to structured and equity linked businesses within GBM
- €4.75bn Covered Bonds issued to date
- £4.6bn RMBS completed in Sept 2010
- CGS borrowing £41bn, down from £53bn at peak
- c£15bn use of Bank of England special liquidity facilities; used for liquidity, not funding purposes

Maturities manageable given Non-Core run-down; CGS and SLS planned to be fully repaid by end 2012

[1]YTD figure includes issuance of £3.9bn in October. [2]Maturing term funding includes government guaranteed MTNs, unguaranteed MTNs and subordinated debt, excluding c£28bn of GBM, Citizens and Ulster Bank own issued structured MTNs.

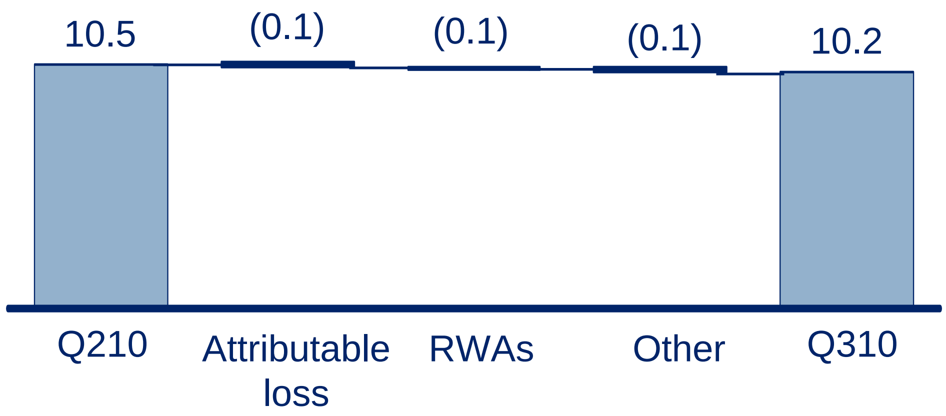
RWA & Capital progression

RWAs £bn



- £8bn of capital relief trades rolled off in Q3
- £6bn reduction in APS RWA benefit
- £8bn RWA improvement due to Non-Core run-off

Core Tier One Ratio %



- RWA impact due to lower APS RWA benefit is 0.1%
- The Group remains well capitalised with the Core Tier 1 ratio above target
- Well-positioned to absorb coming Basel changes

Conclusions & outlook

Q3 was a solid quarter featuring diversification of business mix, as Retail & Commercial businesses performed well, off-setting softness in GBM

Outlook

- R&C: positive momentum, expect to continue, although NIM and impairment trends will moderate
- GBM: continued challenging environment expected over Q4
- Non-Core: expect continued strong progress
  - Healthy asset sale pipeline
  - Expect to comfortably exceed our target for year end TPAs
  - Resultant increase in disposal losses likely in Q4
  - Risk coming down: much better place than a year ago

Continue to focus on reducing risk, improving our balance sheet and strengthening our Core franchises

Appendices

Non-Core asset class composition changes

RBS

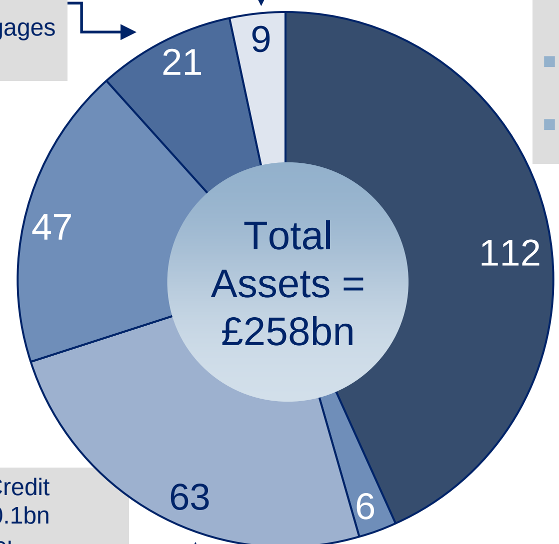
Corporates and Markets reduced by 41% and 48% since inception; Real Estate by 26%

2008 Year-End 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

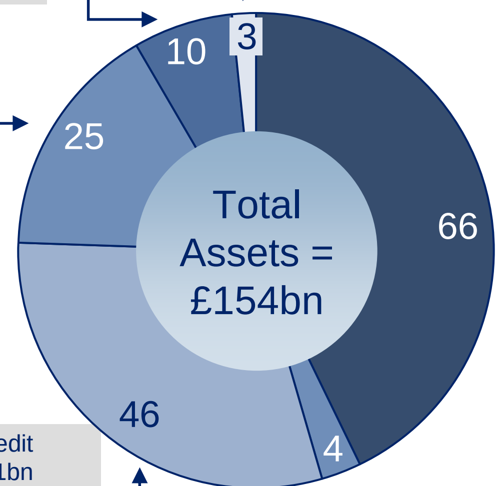
SME
- UK SME £4.2bn
- US SME £1.6bn

Q3 2010 funded assets

Retail
- UK Mortgages & Personal Lending £2.0bn
- US Mortgages & Personal Lending £6.6bn
- Countries £1.7bn

Other
- RBS Insurance £1.6bn
- Whole businesses £0.1bn
- Shared Assets and Other £0.9bn

Corporate
- Project & Export Finance £18.2bn
- Asset Finance £20.4bn
- Leveraged Finance £9.2bn
- Corporate Loans & Securitisations £14.9bn
- Asset Management £1.8bn
- Countries £1.7bn



Markets
- Structured Credit Portfolio £12.1bn
- Equities £0.7bn
- Credit Collateral Financing £2.5bn
- Exotic Credit Trading £0.1bn
- Sempra £8.3bn
- Other Markets £1.2bn

Commercial Real Estate
- Real Estate Finance £25.8bn
- UK B&C £8.2bn
- Ireland £11.1bn[1]
- US £1.5bn

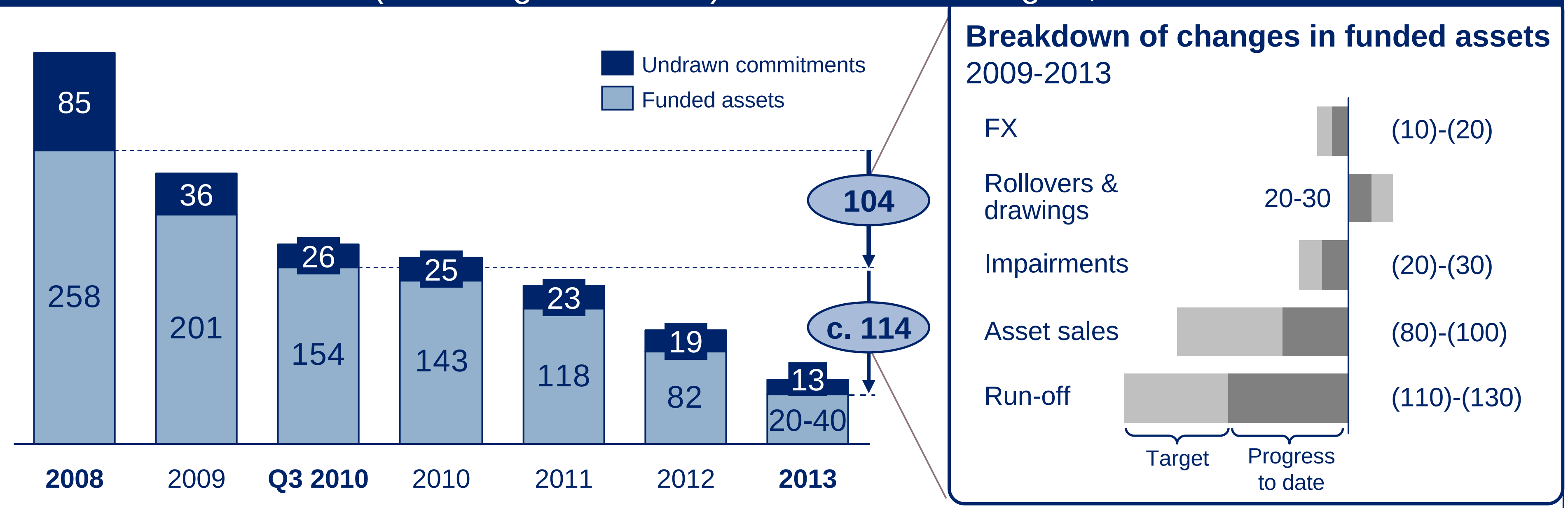
SME
- UK SME £3.2bn
- US SME £0.7bn

[1] Increase due to the replacement of Ireland Mortgages with Ireland Commercial Real Estate announced at H1 2010 results

Non-Core long term asset reduction progress

NCD has now reduced assets by over £100bn, 40% of total at inception, in under 2 years

Non-Core funded assets (excluding derivatives) asset reduction targets, £bn



- Over 80% of target funded asset reduction for the year completed by Q310 - on course to meet/beat 2010 target
- £14 billion of disposals are signed and expected to complete in Q4 (£7bn) and 2011 (£7bn)
- Disposed of £20bn of funded assets in Q3
  - **Country/whole business disposals:** 19 of 28 country/whole business exits (excluding Sempra) have been agreed or completed
  - **Portfolio disposals:** This year Non-Core has signed and/or completed over 250 portfolio asset disposal transactions – all of which were to some degree bespoke – including over 900 trading positions