The Royal Bank of Scotland Group

H1 2012 Results

3rd August 2012

RBS Group

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; the protection provided by the Asset Protection Scheme (APS); and the Group’s potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain 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 participation of the Group in the APS and the effect of the APS on the Group’s financial and capital position; 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.

Business update

Stephen Hester, Group Chief Executive Officer

Business highlights

Retail and Commercial:

- H112 RoE of 10%, 14% ex Ulster Bank
- UK Corporate performing well; US progress continuing
- Impairments down 14% h-o-h to £1.5bn

Markets and International Banking:

- Restructuring programme making solid progress; Business disposals/deleveraging remain on track
- First half RoE of 14%[1] for Markets, 9% for International Banking
- Performing 'in-line' with comparables despite restructuring and smaller balance sheet

Direct Line Group:

- Net claims continue to decline, loss ratio improvement continues
- An attractive business for investors; Q212 RoTE 13%

Safety and Soundness:

- Capital strength improved, CT1 of 11.1% at H112, 10.3% excluding APS coverage
- Short-term wholesale funding reduced to £62bn, Liquidity pool maintained at £156bn, LDR further improved to 104%; Moody's rating impact minimal
- Further progress in Non-Core funded asset reduction, down £22bn in H112 to £72bn
- Intention remains to exit APS in H212, subject to FSA approval

[1] Ongoing business.

Financial highlights

Core Business:

	H112	
Operating profit[1]	£3.2bn	Broadly stable Q2 vs. Q1 excluding technology incident charge of £125m
Return on Equity[2]	10.2%	R&C ex Ulster Bank 14.4%; Markets 14.0%[3]
R&C NIM	2.93%	Stable; liability margin pressure counteracted by stronger asset margins
Cost : income ratio[1,4]	61%	Underlying costs tightly controlled, down 3% excluding one-off charges[6]
Impairments	£1.6bn	Down 10% y-o-y, good retail and commercial credit metrics, Ulster still elevated
Loan : deposit ratio[5]	92%	Surpassing long-term target of c100% as deposit growth outpaces loan demand

Group Progress:

	H112	
Operating profit[1]	£1.8bn	Broadly stable y-o-y excluding technology incident charge
Non-Core funded assets	£72.1bn	Revising year end target lower to £60bn-65bn of funded assets
Capital strength	11.1%	Capital strength improved CT1 of 11.1% at H112; 10.3% excluding APS coverage
Pre-tax loss	£1.5bn	Driven by £3bn own credit charge as RBS borrowing costs fell

[1] Excluding own credit adjustment (OCA). [2] Equity allocated based on share of Group tangible equity. [3] Ongoing business. [4] Adjusted C:I ratio net of insurance claims. [5] Net of provisions. [6] Excludes £88m US litigation and £125m technology incident charge.

Progress against plan

Group – Key performance indicators	Worst point	H112	Medium-term Target
Balance sheet & risk (Group):			
Loan : deposit ratio (net of provisions)	154%[1]	104%	c100%
Short-term wholesale funding[2]	£297bn[3]	£62bn	<10% TPAs
Liquidity portfolio[4]	£90bn[3]	£156bn	>1.5x STWF
Leverage ratio[5]	28.7x[6]	15.6x	<18x
Core Tier 1 Capital ratio	4%[7]	11.1%	>10%
Value drivers (Core):			
Return on Equity (RoE)[9]	(31%)[8]	10.2%	>12%
Cost : income ratio[11]	97%[10]	61%	<55%

- Strong capital, liquidity and funding metrics
- Prioritising:
  - Safety and soundness of the Group
  - Ongoing reduction in wholesale funding
  - An appropriate liquidity buffer

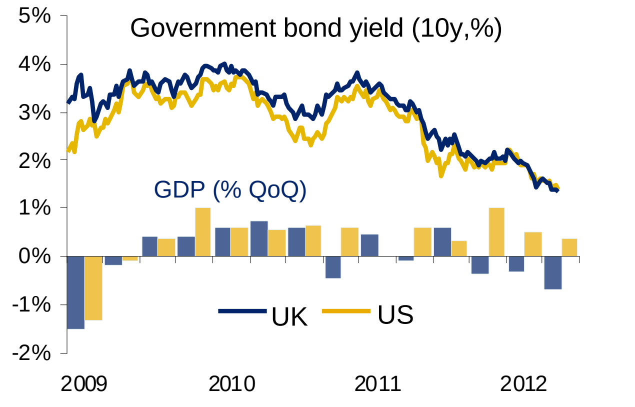
[1] As at October 2008 [2] Amount of unsecured wholesale funding under 1 year including bank deposits <1 year excluding derivatives collateral. [3] As of December 2008 [4] Eligible assets held for contingent liquidity purposes including cash, government issued securities and other securities eligible with central banks. [5] Funded tangible assets divided by Tier 1 Capital. [6] As of June 2008 [7] As of 1 January 2008. [8] Group return on tangible equity for 2008 [9] Indicative: Core attributable profit taxed at 28% on attributable core average tangible equity (c75% of Group tangible equity based on RWAs). [10] 2008. [11] Adjusted cost:income ratio net of insurance claims.

Supporting the UK economy

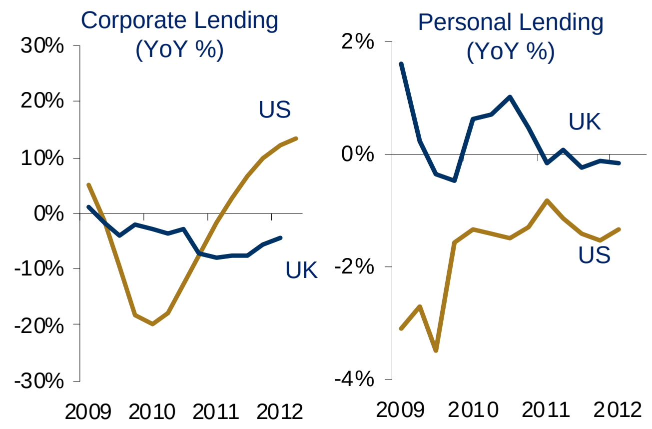
- Positive UK Retail and Corporate net lending
- Retail – customer lending up 2% yoy; Mortgage balances up 4%
  - Net new mortgage lending of over £3bn in first half (gross lending £7.7bn)
  - New business mortgage market share of 11% vs. stock share of 8%
  - Gross new lending to first time buyers +26% from H111
  - Lower mortgage rates offered to first time buyers via Funding for Lending Scheme (FLS)
- Corporate - £41.5bn of gross new lending to UK non-financial businesses in H112
  - Including £28.3bn of gross new loans and facilities; £15.2bn to SMEs
  - Interest rates to be cut by an average of 1% on £2.5bn of SME loans, via FLS
  - Arrangement fees to be removed on £2.5bn of new SME loans
  - 8,000 loans and asset finance facilities totalling £470m lent through National Loan Guarantee Scheme
  - Enhanced telephony offering launched for Business Banking customers, now supporting 210,000 customers
- RBS helps 4,000 customers a year to trade internationally through our Trade Finance products

Retail & Commercial – strong businesses but income reflects economic trends

Subdued economies[1]

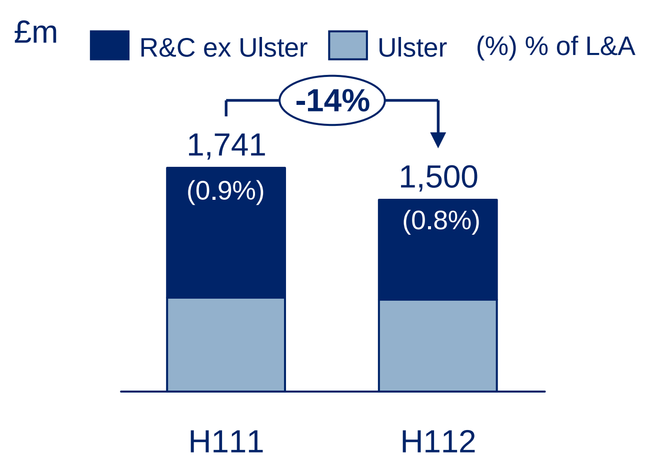


US demand leads the UK[1]

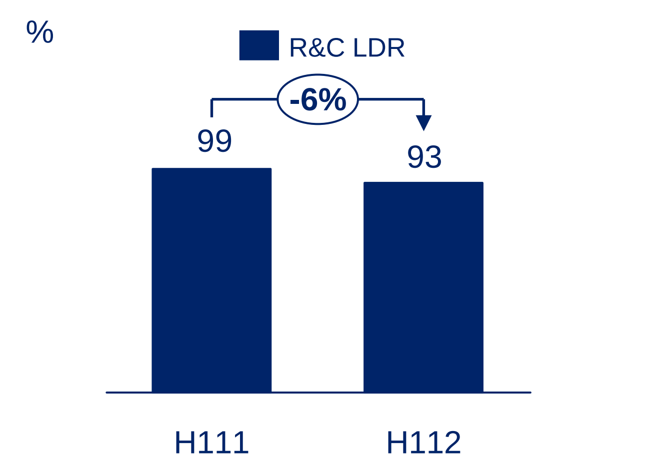


- Core Retail and Commercial businesses are well positioned:
  - Market leading franchises
  - Major divisional investment programme
  - Improving customer metrics
  - Good progress made to date
- Our businesses will reflect customer activity levels

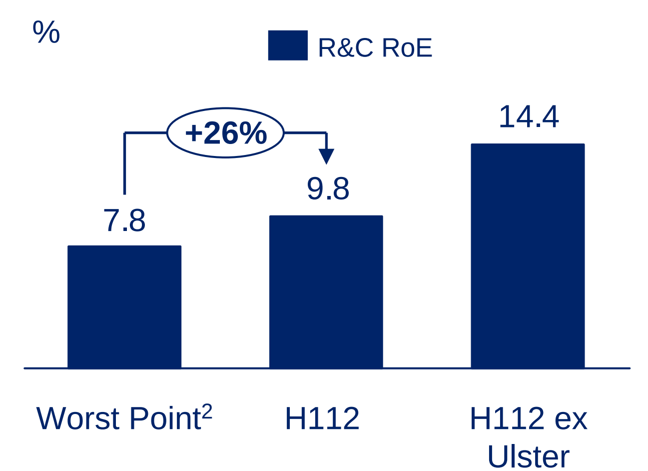
R&C Impairment trends improving



R&C self-funded in aggregate



R&C Returns significantly improved



[1] Source: Thomson Datastream. [2] Full year 2009.

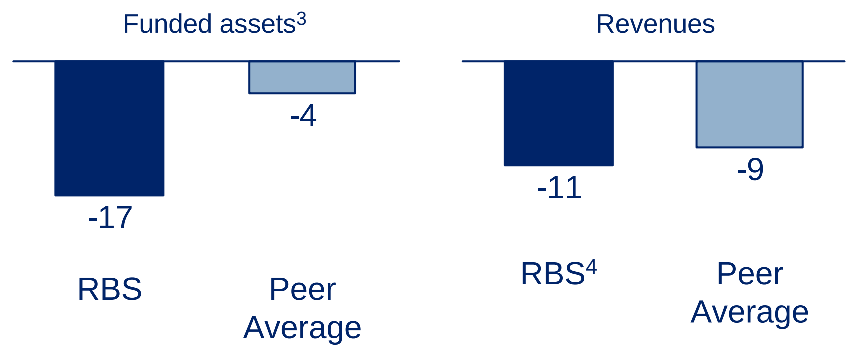
Wholesale Banking restructure - update

Business restructure

- Business disposals on track
  - Sold RBS Hoare Govett
  - Sold selected[1] NL businesses
  - Sale of selected APAC equities businesses:-
    - 7 countries completed, 2 in progress
    - Final completion expected in Q4 2012
- Simplified business structure in place
- Strong cost discipline:
  - Total Markets costs down ~12% vs H111
  - Total IB costs down ~7% vs H111

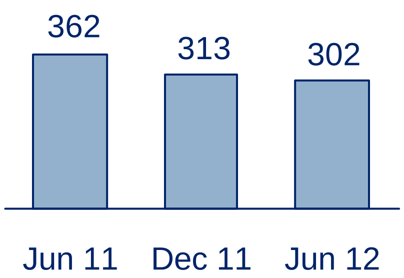
Resilient trading performance, in line with peers[2]

% Change H112 vs H111

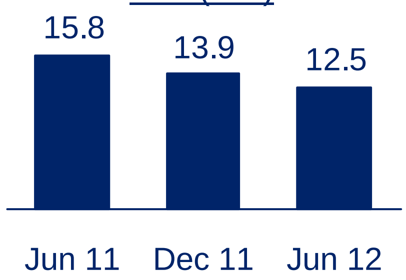


Markets resource management

TPA[5] (£bn)



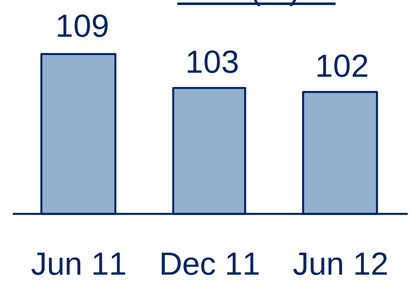
FTE (000)



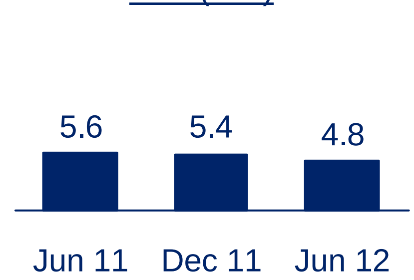
- Third party assets down 17% y-o-y
- FTE reductions across ongoing businesses. Further reductions expected in H212, mostly in Support

IB resource management

LDR (%)[5, 6]



FTE (000)



- Balance sheet discipline – down 23% y-o-y
- Self-funded business
- Simpler operating model driving FTE reductions across Front Office and Support

[1] Cash Equities, Corporate Finance and ECM. [2] RBS figures based on Markets, peer average includes Barclays, BOAML, Credit Suisse and UBS; RBS estimates. [3] Funded assets excluding derivatives. [4] Excluding run-off
[5] Ongoing businesses only. [6] Loan : Deposit ratio excluding repos and conduits.

Current issues/challenges

Issue/Challenge	Status	RBS Actions
Technology Incident	■ All systems fully operational ■ Resolution of customer impact ongoing	■ Special customer support actions during incident ■ Majority of customer complaints received now settled and closed ■ 'Out of pocket' expenses being reimbursed ■ Audit launched into cause of the incident ■ Resilience programme underway
SME Swaps Mis-Selling	■ Industry investigation ongoing	■ Reached agreement on approach with FSA ■ Independent review process starting ■ £50m provision taken in H112
LIBOR Setting	■ Industry investigation ongoing	■ Co-operating with relevant authorities ■ Timing and impact of resolution still open
ICB	■ Further clarity from White Paper ■ Flexibility incrementally positive	■ Final report and legislative detail still to come ■ Working towards full implementation by 2019

Outlook

External	■ Economic and market backdrop likely to remain challenging for some time, keeping customer activity subdued ■ Piece by piece the adjustments necessary for economic recovery are being addressed ■ Regulatory change remains intense and the end state is clarifying, but with key uncertainties remaining
RBS Progress	■ RBS change and recovery is making good progress. Much done, much in process ■ The vital 'safety and soundness' agenda continues to go well. H2 landmark APS decision the next milestone ■ Core businesses are resilient, gathering underlying strength, but economy dependent ■ Priority one is dedicated service to customers

Finance & Risk Review

Bruce Van Saun, Group Finance Director

Group financial highlights

£m	H112	H111	H112 vs. H111	Q212	Q212 vs. Q112
Income	**13,569**	**15,895**	**(2,326)**	**6,438**	**(693)**
Operating Expenses	(7,861)	(8,013)	152	(3,877)	107
Claims	(1,225)	(1,705)	480	(576)	73
PBIL[1]	**4,483**	**6,177**	**(1,694)**	**1,985**	**(513)**
Impairment Losses	(2,649)	(4,211)	1,562	(1,335)	(21)
Operating Profit/(Loss)	**1,834**	**1,966**	**(132)**	**650**	**(534)**
One-off and other items[2]	**(3,339)**	**(2,760)**	**(579)**	**(751)**	**1,837**
Profit/(Loss) Before Tax	**(1,505)**	**(794)**	**(711)**	**(101)**	**1,303**
Attributable Profit/(Loss)	**(1,990)**	**(1,425)**	**(565)**	**(466)**	**1,058**
Net interest margin	1.92%	2.00%	(8bps)	1.95%	6bps
Cost:income ratio[3]	64%	56%	800bps	66%	500bps

Capital & Balance Sheet	30 Jun 12	31 Mar 12	Jun 12 vs. Mar 12	31 Dec 11	Jun 12 vs. Dec 11
Funded balance sheet	**£929bn**	**£950bn**	**(2%)**	**£977bn**	**(5%)**
Risk-weighted assets[4] (pre APS)	**£488bn[4]**	**£496bn[4]**	**(2%)**	**£508bn[4]**	**(4%)**
Core tier 1 ratio	**11.1%**	**10.8%**	**30bps**	**10.6%**	**50bps**
Net tangible equity per share	**489p**	**488p**	**0%**	**501p**	**(2%)**

[1] Profit before impairment losses. [2] Includes own credit adjustment, restructuring & integration costs, APS CDS fair value changes, credit market event, gain on redemption of own debt, PPI and strategic disposals. [3] Calculated using income net of insurance claims. [4] Excludes £53bn of APS RWA relief as of 30th June 2012, £62bn as of 31st March 2012 and £69bn as of 31st December 2011.

Below the line and exceptional items

£m	H112	H111	H112 vs. H111
Own Credit Adjustment (OCA)	(2,974)	(236)	(2,738)
APS CDS – fair value changes	(45)	(637)	592
PPI costs	(260)	(850)	590
Sovereign debt impairment	-	(733)	733
Amortisation of purchased intangibles	(99)	(100)	1
Integration and restructuring costs	(673)	(353)	(320)
Gain on redemption of own debt	577	255	322
Strategic disposals	152	27	125
Other[1]	(17)	(133)	116
Sub Total	*(3,339)*	*(2,760)*	*(579)*
Exceptional items within operating profit			
Technology incident charge	(125)	-	(125)
Provision for interest swap mis-selling	(50)	-	(50)
Total	**(3,514)**	**(2,760)**	**(754)**

- c.£2.7bn negative swing on own credit
- £260m PPI top up, claims higher than anticipated
- Restructuring costs remain elevated at £673m, M&IB c.40%
- Exceptional charge of £125m related to technology incident, £50m provision for interest rate swap mis-selling (reported in Core expenses)

[1] Bonus tax, interest rate hedge adjustments on impaired AFS Greek govt. bonds and RFS Holdings minority interest.

Core performance

£m	H112	H111	H112 vs. H111	Q212	Q212 vs. Q112
Net Interest Income	5,868	6,115	(247)	2,925	(18)
Non Interest Income	7,431	8,379	(948)	3,512	(407)
Income	**13,299**	**14,494**	**(1,195)**	**6,437**	**(425)**
Operating Expenses	(7,336)	(7,355)	19	(3,615)	106
Claims	(1,225)	(1,487)	262	(576)	73
PBIL[1]	**4,738**	**5,652**	**(914)**	**2,246**	**(246)**
Impairment Losses	(1,553)	(1,725)	172	(728)	97
Operating Profit	**3,185**	**3,927**	**(742)**	**1,518**	**(149)**

- H112 Core RoE of 10.2%, ex Ulster Bank 13.2%
- Sluggish economy and M&IB business restructuring constrain top-line income performance
- £19m reduction in costs y-o-y despite £88m US litigation charge in Q1 and £125m provision for technology incident in Q2; underlying reduction of 3%
- 18% reduction in insurance claims as new risk appetite is fully embedded
- Impairments improve by £172m, driven by UK Retail and US R&C
- Q212 underlying operating profit +2% vs. Q112 adjusting for one-time reserves

[1] Profit before Impairment Losses.

Divisional performance

Operating profit, £m	H112	H111	H112 vs. H111	Q212	Q212 vs. Q112
UK Retail	914	1,053	(139)	437	(40)
UK Corporate	1,004	1,089	(85)	512	20
Wealth Management	109	130	(21)	64	19
International Banking	264	375	(111)	167	70
Ulster Bank	(555)	(543)	(12)	(245)	65
US R&C	331	237	94	229	127
Total R&C	**2,067**	**2,341**	**(274)**	**1,164**	**261**
Markets	1,075	1,356	(281)	251	(573)
Direct Line Group	219	206	13	135	51
Group Centre	(176)	24	(200)	(32)	112
Total Core	**3,185**	**3,927**	**(742)**	**1,518**	**(149)**

- Robust second quarter performance from R&C, reported operating profit +29% to £1.2bn
- International Banking, US R&C and Direct Line Group showed good quarterly progress
- Markets decline in revenue/op profit in line with peer group despite smaller balance sheet
- Ulster Bank performance remains challenging, although losses reduced relative to Q1

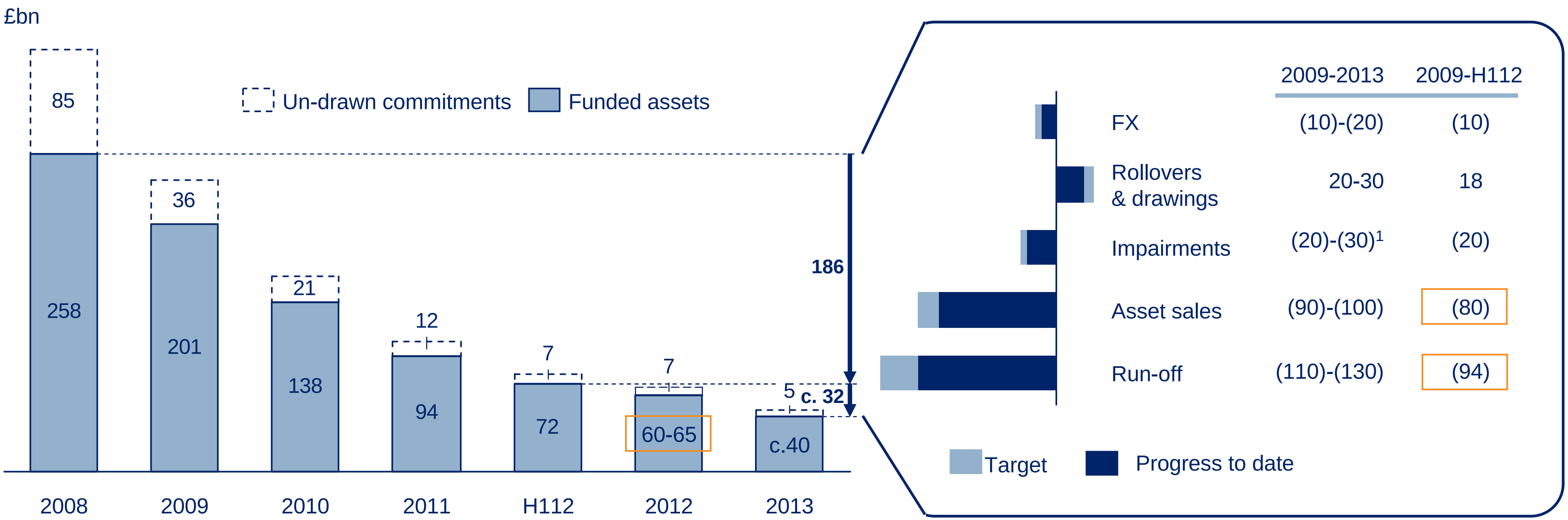
Non-Core performance

£m	H112	H111	H112 vs. H111	Q212	Q212 vs. Q112
Net Interest Income (NII)	201	525	(324)	86	(29)
Non-Interest Income	69	876	(807)	(85)	(239)
Total Income / (Loss)[1]	**270**	**1,401**	**(1,131)**	**1**	**(268)**
o/w de-risking (losses)	*(256)*	*262*	*(518)*	*(41)*	*174*
o/w disposal gains/(losses)	*143*	*(54)*	*197*	*(39)*	*(221)*
Operating Expenses	(525)	(658)	133	(262)	1
Insurance net claims	-	(218)	218	-	-
Profit / (Loss) before impairment losses	**(255)**	**525**	**(780)**	**(261)**	**(267)**
Impairment Losses	(1,096)	(2,486)	1,390	(607)	(118)
o/w Ulster Bank[2]	*(455)*	*(1,821)*	*1,366*	*(191)*	*73*
o/w Other	*(641)*	*(665)*	*24*	*(416)*	*(191)*
Operating Loss	**(1,351)**	**(1,961)**	**610**	**(868)**	**(385)**
TPAs[3], £bn	72.1	112.6	(41)	72.1	(11)
RWAs, £bn	82.7	124.7	(42)	82.7	(7)

- Asset RWA reduction on track; lowering year end TPA target to £60bn-65bn
- Reduction in income reflects variances in size/timing of gains/losses on disposals and FV adjustments
- Impairments more than halved y-o-y to £1.1bn, driven by lower Ulster Bank charges; quarterly uptick due primarily to a one-off provision within Project Finance

[1] Excludes IFRS5 disposals. [2] Includes EMEA related impairments of £6m in H112, £11m H111 and £2m Q212. [3] Third party assets, excluding derivatives.

Good progress in Non-Core run-down

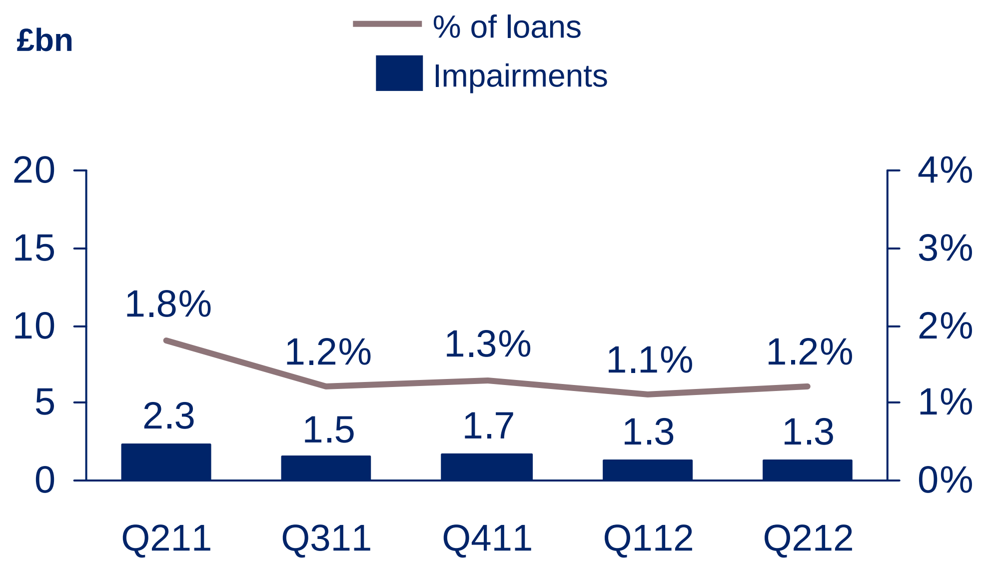


- Funded asset reduction continued apace, down £22bn in H1 to £72bn, £11bn in Q2
- Impairments continue to trend to bottom of guidance range
- Run-down continues to be balanced between asset sales and natural run-off

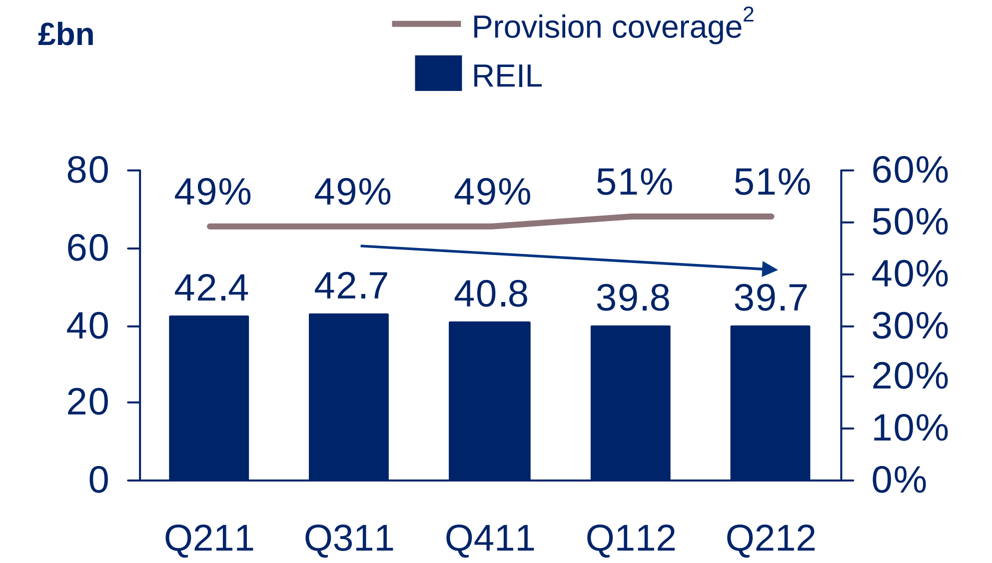
[1] Excludes FY08 impairments.

Impairments, REIL and provision coverage

Impairment trends, Q211 – Q212



REIL[1] and provision coverage, Q211 – Q212



- Group impairment charge broadly flat q-o-q
- Core charge down 12%, £97m, due to non repeat of Q1 Irish HPI decline in Ulster Bank and benign UK Retail trends
- Non-Core increase due primarily to a one-off provision within Project Finance, partly offset by improvements in Ulster Bank
- REILs decline again to £39.7bn, Group provision coverage of 51%; Core 54%, Non-Core 49%
- Credit metric leading indicators remain positive

[1] REIL = Risk elements in lending. [2] Provision balance as a percentage of REIL.

Significant progress on funding and liquidity measures

£bn	Worst Point[1]	Q112	Q212	Q-o-Q
Funded Balance Sheet[2]	**1,227**	**950**	**929**	**(2%)**
Liquidity Buffer[3]	**90**	**153**	**156**	**2%**
Total Wholesale Funding (TWF)	**492**	**234**	**213**	**(9%)**
o/w STWF[4] (<1 year)	**297**	**80**	**62**	**(23%)**
Customer Deposits[5]	**-**	**432**	**435**	**1%**
Net Stable Funding Ratio (NSFR) (%)	**79%**	**109%**	**115%**	**600bps**

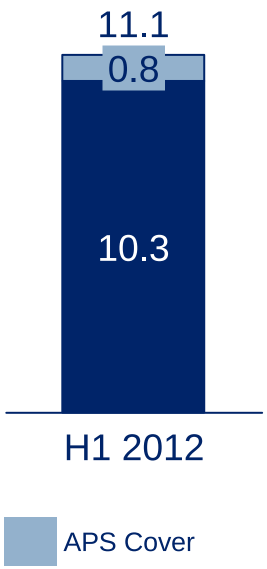
Key Metrics	Worst Point[1]	Q112	Q212
Loan : Deposit Ratio	**154%**	**106%**	**104%**
Loan: Deposit Ratio (Core)	**-**	**93%**	**92%**
Liquidity Buffer[3] as % Funded Balance Sheet	**7%**	**16%**	**17%**
Liquidity Buffer[3] as % STWF[4]	**30%**	**191%**	**252%**
STWF[4] as % Funded Balance Sheet	**24%**	**8%**	**7%**
STWF[4] as % TWF[6]	**60%**	**34%**	**29%**

- Further improvement in LDR; Group 104%, Core 92%
- STWF down £18bn q-o-q to £62bn, now only 7% of funded assets
- Liquidity buffer strengthened, now ~2.5x STWF
- Negligible impacts from Moody's rating action

[1] Worst point taken as at FY08 except Loan:Deposit Ratio (October 08). [2] RBS pro-forma. [3] Liquidity buffer reserves comprise cash at central banks and eligible unencumbered government and other debt securities. [4] 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. Wholesale bank deposits excludes cash collateral received under derivatives contracts. [5] Including deposits in disposal groups (£22.3bn Q112 and £22.5bn Q212). [6] Total Wholesale Funding.

The capital journey

RWAs / Capital Management



Headwinds

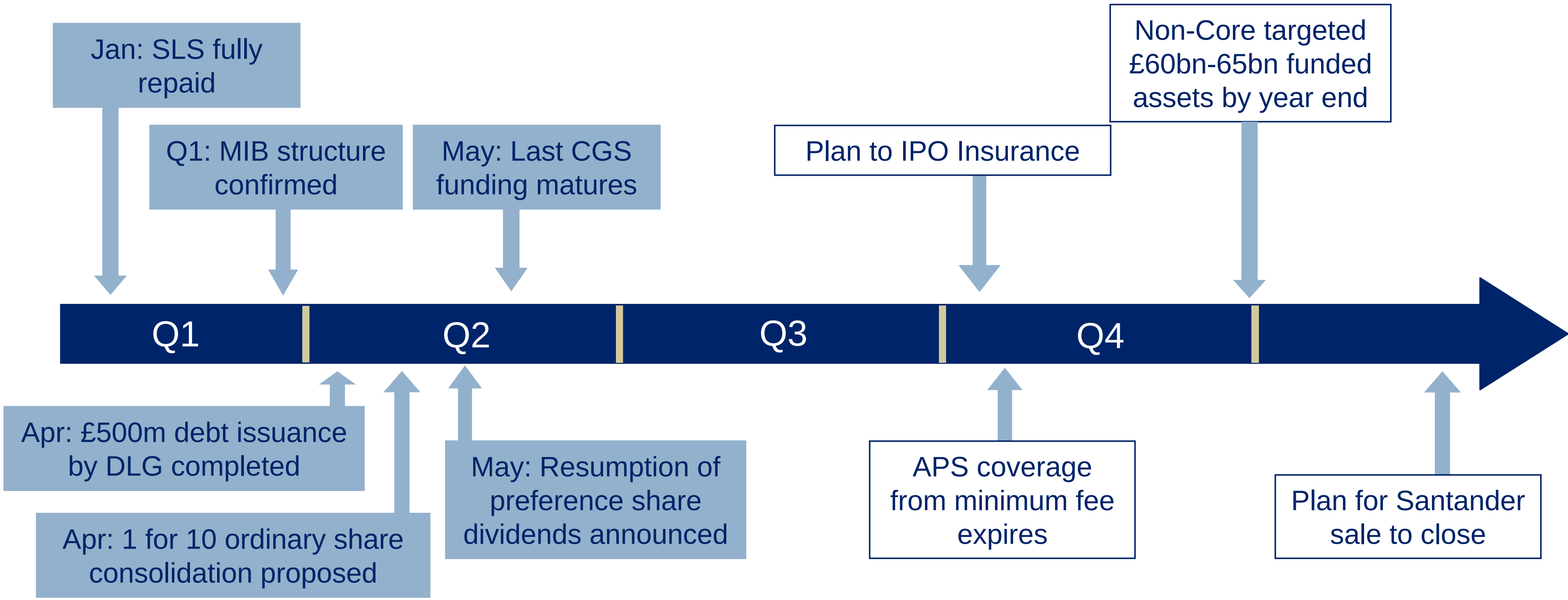
- Credit model changes
- Basel III/CRD IV
- Reduction in / removal of APS cover

Mitigation / Tailwinds

- Non-Core run-down
- Restructure of Markets business
- Earnings generation

- Targeting year end 2012 & 2013 CT1 at 10% or above post APS exit and regulatory impacts
- Currently estimating fully loaded Basel 3 CT1 at 31 December 2013 of 9.0-9.5%

Milestones in 2012



- Working to secure FSA approval for APS exit in Q4
- Direct Line Group IPO on track, markets permitting
- Branch sale to Santander complex, now re-planning for 2013

Completed

Other developments

- Aviation Capital transaction completed in June; £4.5bn funded assets, gain of £197m
- Y-T-D **Markets** funded asset reduction of 3%; RWA reduction of 10%; personnel reduction of 1,400 (10%). First half RoE of 14%[1], ahead of plan.
- Y-T-D **International Banking** funded asset reduction of 12%; RWAs up for regulatory impacts; personnel reduction of 600 (11%). First half RoE of 9%, close to plan
- Last significant tranche of assets to be migrated from RBS NV to RBS Plc on 10th September
- European Peripheral exposures managed even lower; net peripheral sovereign bond exposure of zero; Southern European peripheral lending exposure only 1.8% of Group lending
- No accrual for LIBOR investigation at this stage
- Will actively manage balance sheet to protect capital position

[1] Ongoing business.

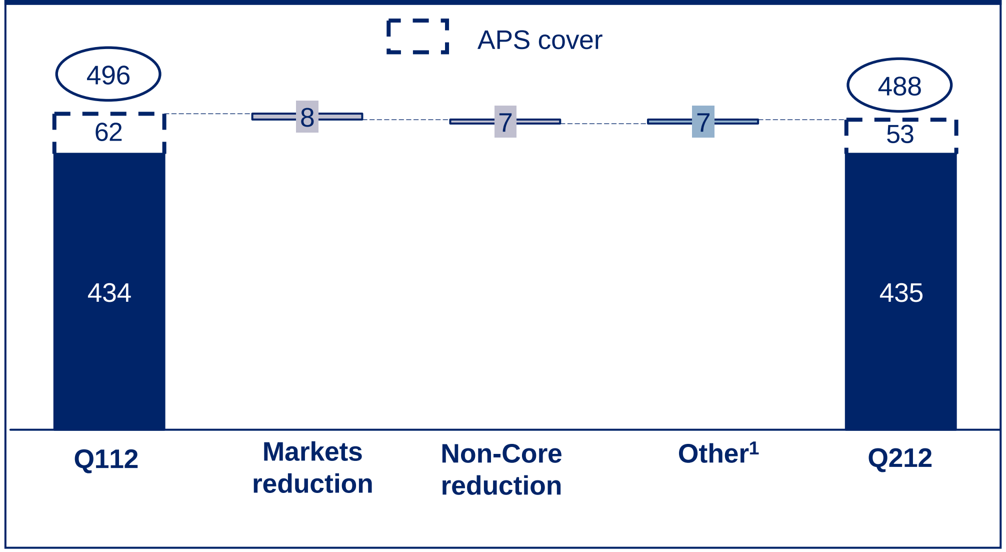
Conclusions

Core Franchises	■ Resilient performance in challenging market conditions; costs well controlled ■ Retail and Commercial, ex Ulster Bank, RoE of 14.4% H112 ■ Franchise strength upheld, market positions maintained
Non-Core and Risk	■ Good progress in Non-Core funded asset reduction, down 72% from inception to £72bn ■ Non-Core impairments down 56% y-o-y to £1.1bn ■ Revising year end Non-Core funded asset target lower to £60bn-65bn
Balance Sheet	■ £48bn H1 reduction in Group funded assets to £929bn; down c. £300bn from peak ■ Loan to deposit ratio further improved; Group 104%, Core 92% ■ Short-term wholesale funding reduced to £62bn, covered 2.5x by liquidity pool
Capital Position	■ Capital strength improved, CT1 of 11.1% at H112 ■ Positioned to support business plan and absorb regulatory capital requirements ■ CT1 of 10.3% excluding APS coverage

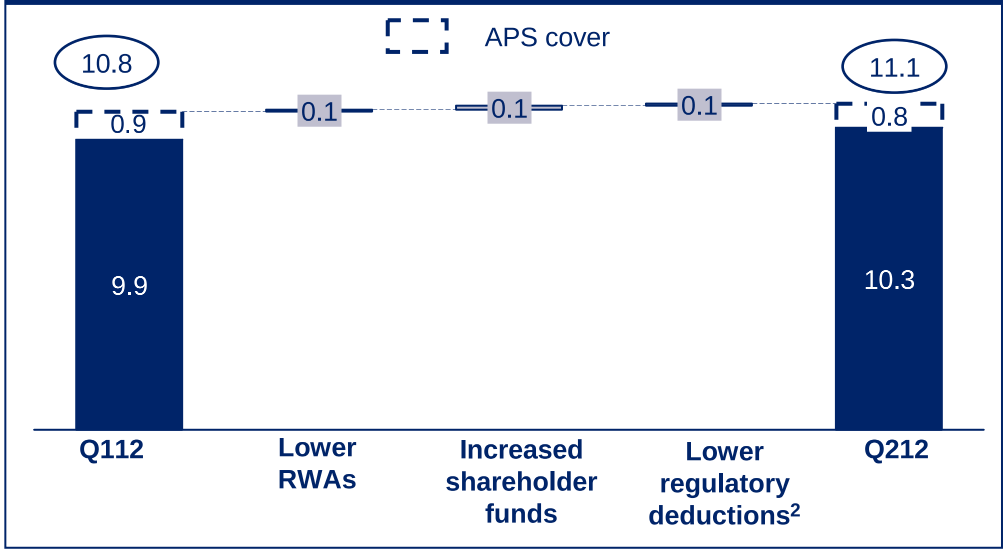
Appendix

Maintaining a strong capital position

RWAs £bn



Core Tier One Ratio %



- Total RWAs reduced £8bn to £488bn; £9bn reduction in APS relief
- Reduction in Markets RWAs of £8bn due to mitigating actions
- Non-Core reduction driven by asset disposals and further run-off
- Core Tier 1 improves 30bps to 11.1%; 10.3% ex APS cover

[1] Includes other divisional moves and APS relief reduction. [2] Primarily EL.

Non-Core asset class composition changes

YE 2008 funded assets

Other

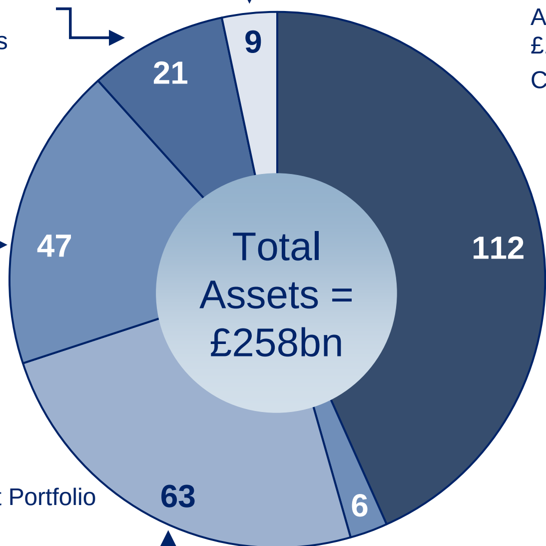
RBS Insurance £2.0bn
Bank of China / Linea Directa £4.5bn
Whole Businesses £0.8bn
Shared Assets and Other £1.5bn

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

Retail

UK Mortgages & Personal Lending £3.2bn
US Mortgages & Personal Lending £11.9bn
Ireland Mortgages £6.5bn



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 2012 funded assets

Retail

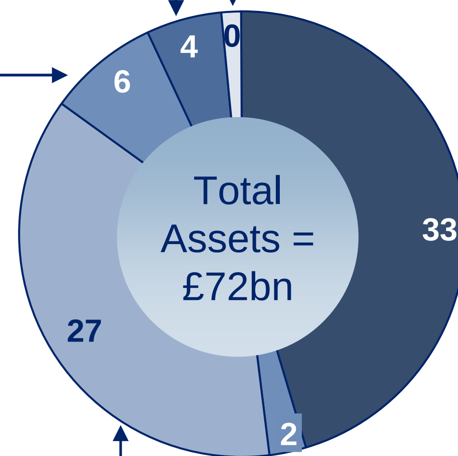
US Mortgages & Personal Lending £3.2bn
Countries £0.7bn

Other

Shared Assets and Other £0.4bn

Corporate

Project & Export Finance £11.2bn
Asset Finance £9.7bn
Leveraged Finance £3.5bn
Corporate Loans & Securitisations £7.3bn
Countries £1.1bn



Markets

Structured Credit Portfolio[1] £6.0bn
Equities £0.2bn
Exotic Credit Trading £0.2bn

Commercial Real Estate

Real Estate Finance £16.3bn
UK B&C £3.2bn
Ireland £6.6bn
US £0.7bn

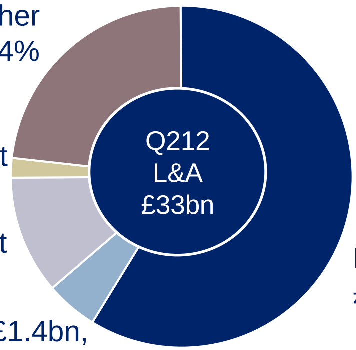
SME

UK SME £1.4bn
US SME £0.2bn

[1] SCP includes £3.8bn of Corporate, £0.7bn RMBS, £0.5bn CMBS, £0.1bn Trapped SPVs and £0.9bn Other ABS.

Ulster Bank loan book

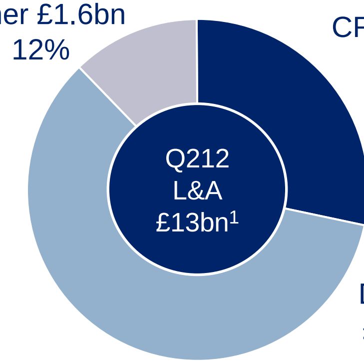
Ulster Bank – Core gross L&A, £33bn



CRE:
58% RoI
25% NI
17% UK

Mortgages:
88% RoI
12% NI

Ulster Bank – Non-Core gross L&A, £13.0bn[1]

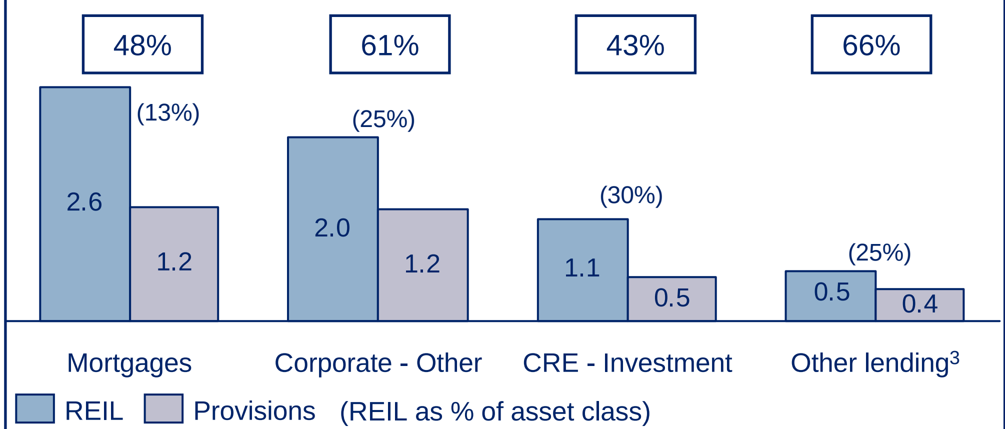


CRE:
64% RoI
27% NI
9% UK

Ulster Bank – Core REIL, Provisions & Coverage[2]

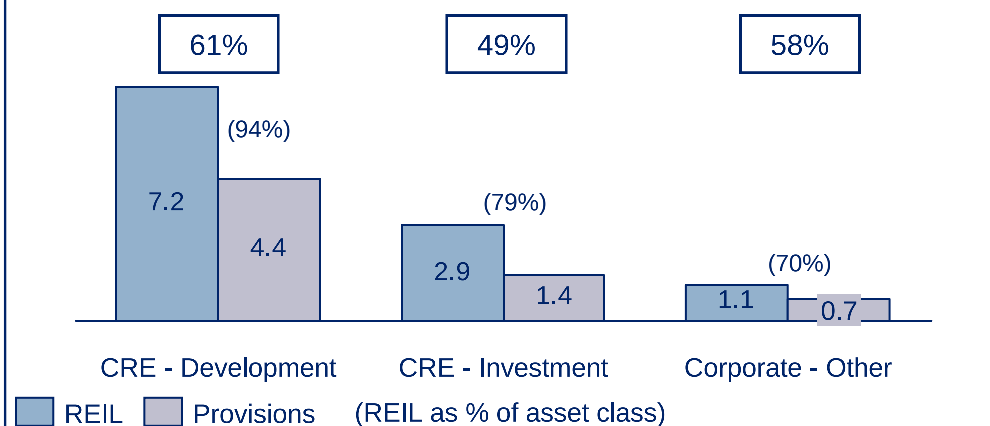
Total coverage 53%

'In the pack' vs peers



Ulster Bank – Non-Core REIL, Provisions & Coverage[2]

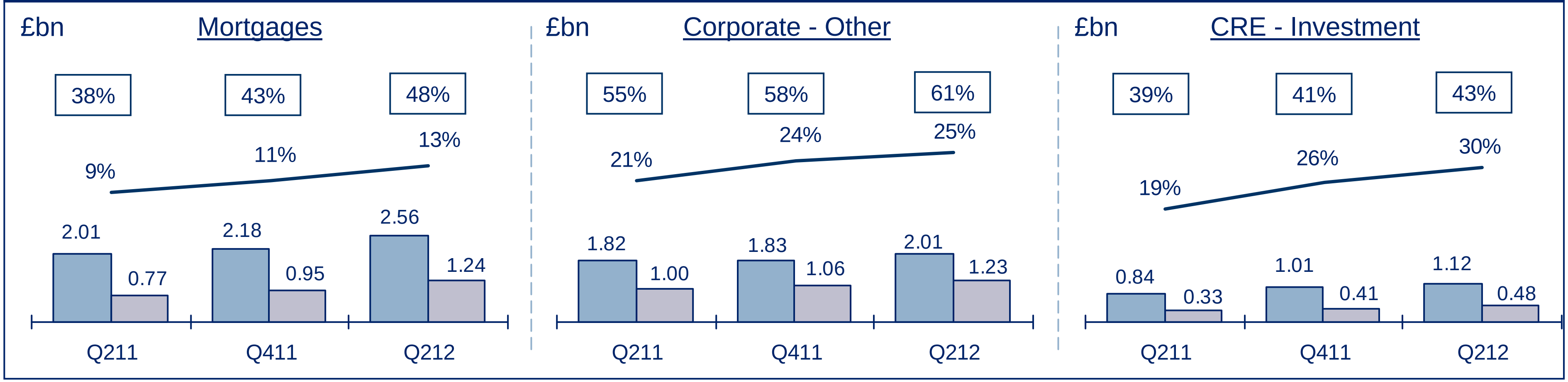
Total coverage 57%



[1] Excludes EMEA L&A of £0.4bn. [2] Provisions as a % of REIL. [3] Includes Core CRE Development lending REIL of £335m and provisions of £164m.

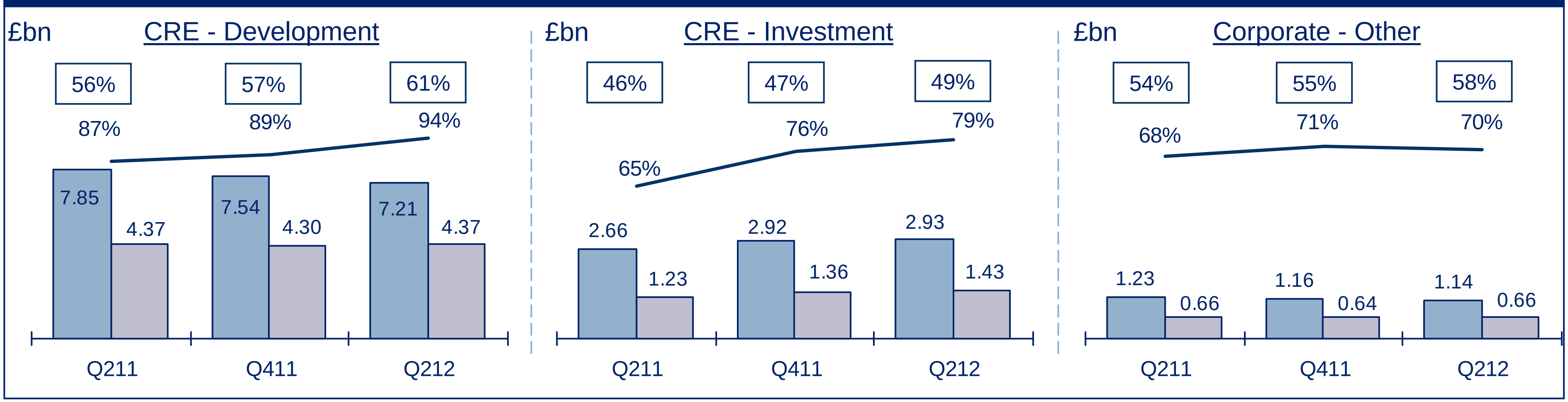
Ulster Bank asset quality

Core Ulster Bank, £33bn loan book – 53% provision coverage[1]



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

Non-Core Ulster Bank, £13bn loan book[2] – 57% provision coverage[1]

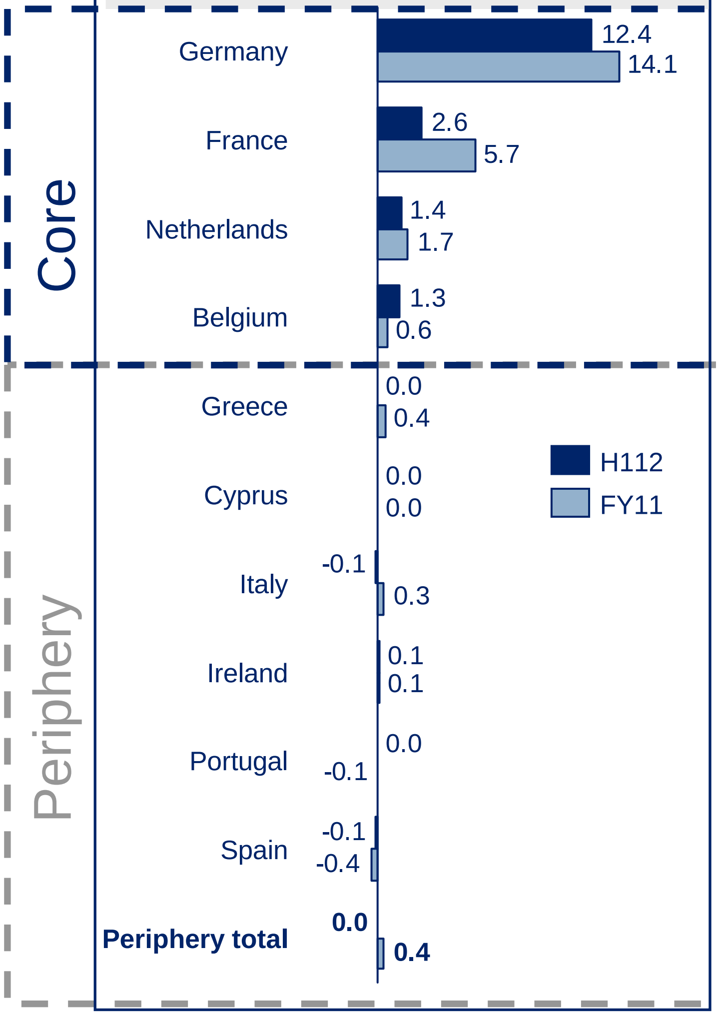


[1] Provisions as a percentage of risk elements in lending (REILs). [2] Excludes EMEA loans of £0.4bn.

Eurozone exposures

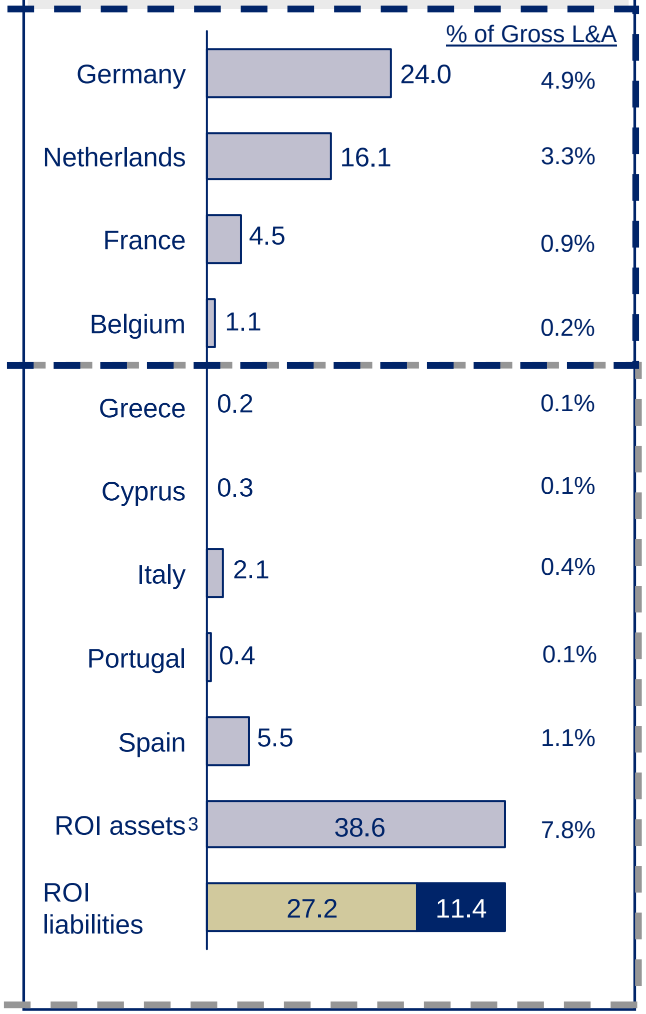
Sovereign Exposure (£bn)[1]

De minimis peripheral government bond exposure



Lending Exposure (£bn)[2]

Well-spread loan exposures - ROI predominantly a domestic balance sheet



- Further reduction in periphery government bond exposure; net position zero
- Ex Ireland, lending is primarily to large multi-national customers
- Long established domestic in-market bank in Ireland
- Eurozone exposures to 'hard currency' countries outweigh peripheral exposures

■ Funded with Intra-Group loans and equity

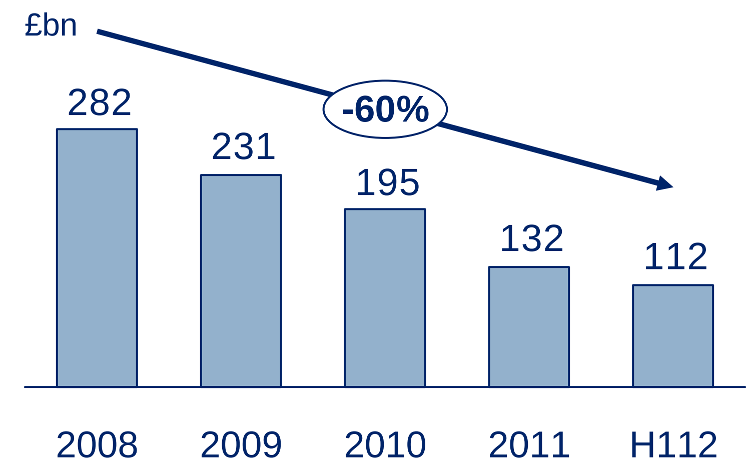
■ Domestically Funded

[1] Debt securities exposures, AFS banking book & net trading book. [2] Total lending exposure, which includes central & local governments. [3] Ulster Bank and GBM assets.

APS update

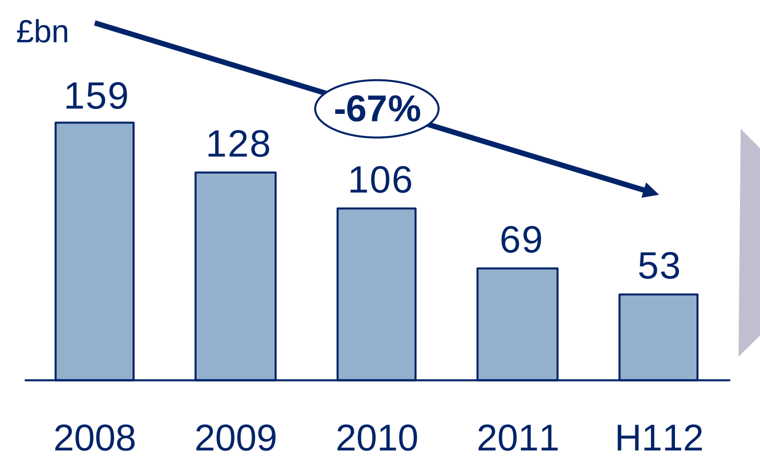
- APS covered assets have more than halved since 2008, while CT1 benefit has declined to 0.8% from 1.6% at FY09
- RBS and APA[1] estimates agree the £60bn 'first loss' threshold will not be exceeded under base or stress scenarios
- Minimum fee of £2.5bn paid, future benefits of scheme now outweighed by the cost (c. £500m pa)
- Exit in H2 remains our intention, subject to FSA approval

APS Covered Assets



APS covered assets reduced by 60%

APS RWA Relief



RWA relief approximately one-third that of 2008 level, making scheme less beneficial

[1] Asset Protection Agency.