

Make it happen



Delivering While De-Levering

Sir Fred Goodwin, Group Chief Executive

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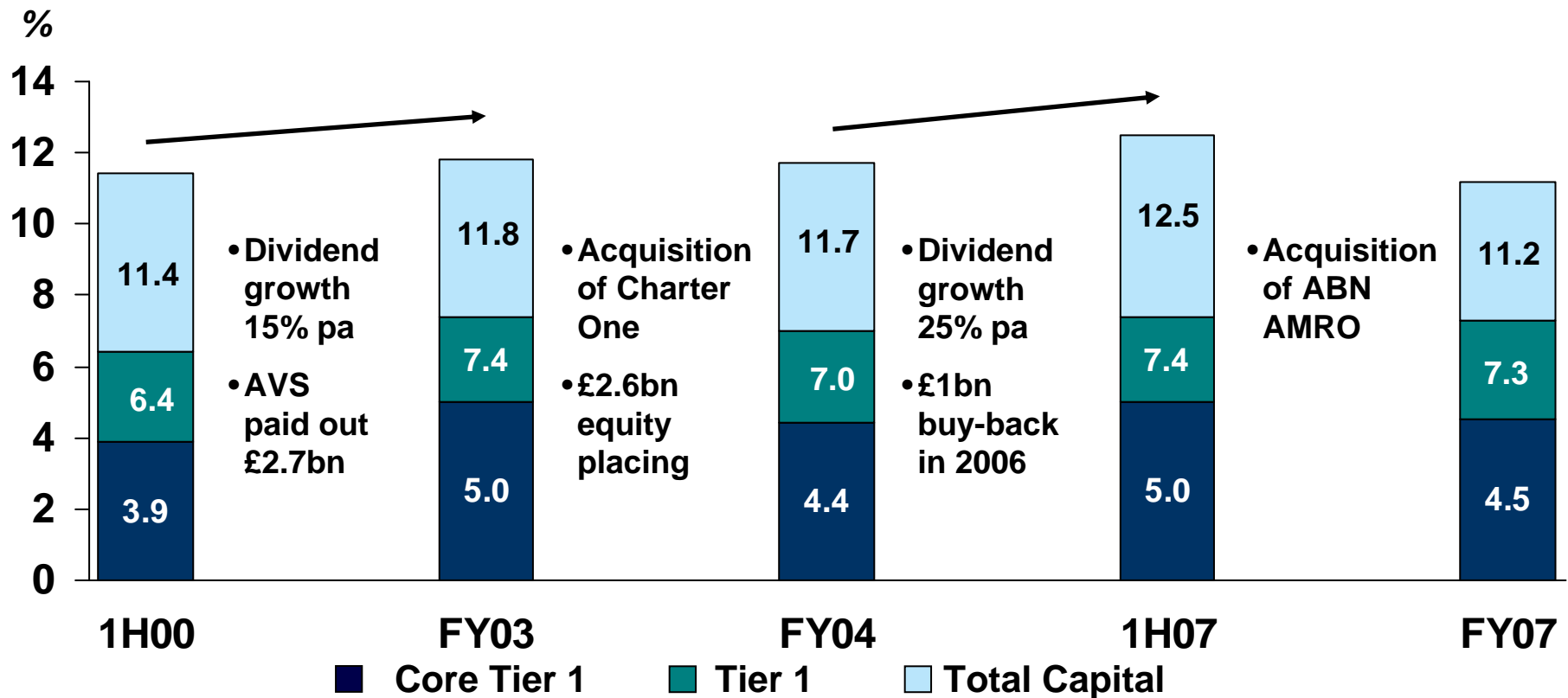
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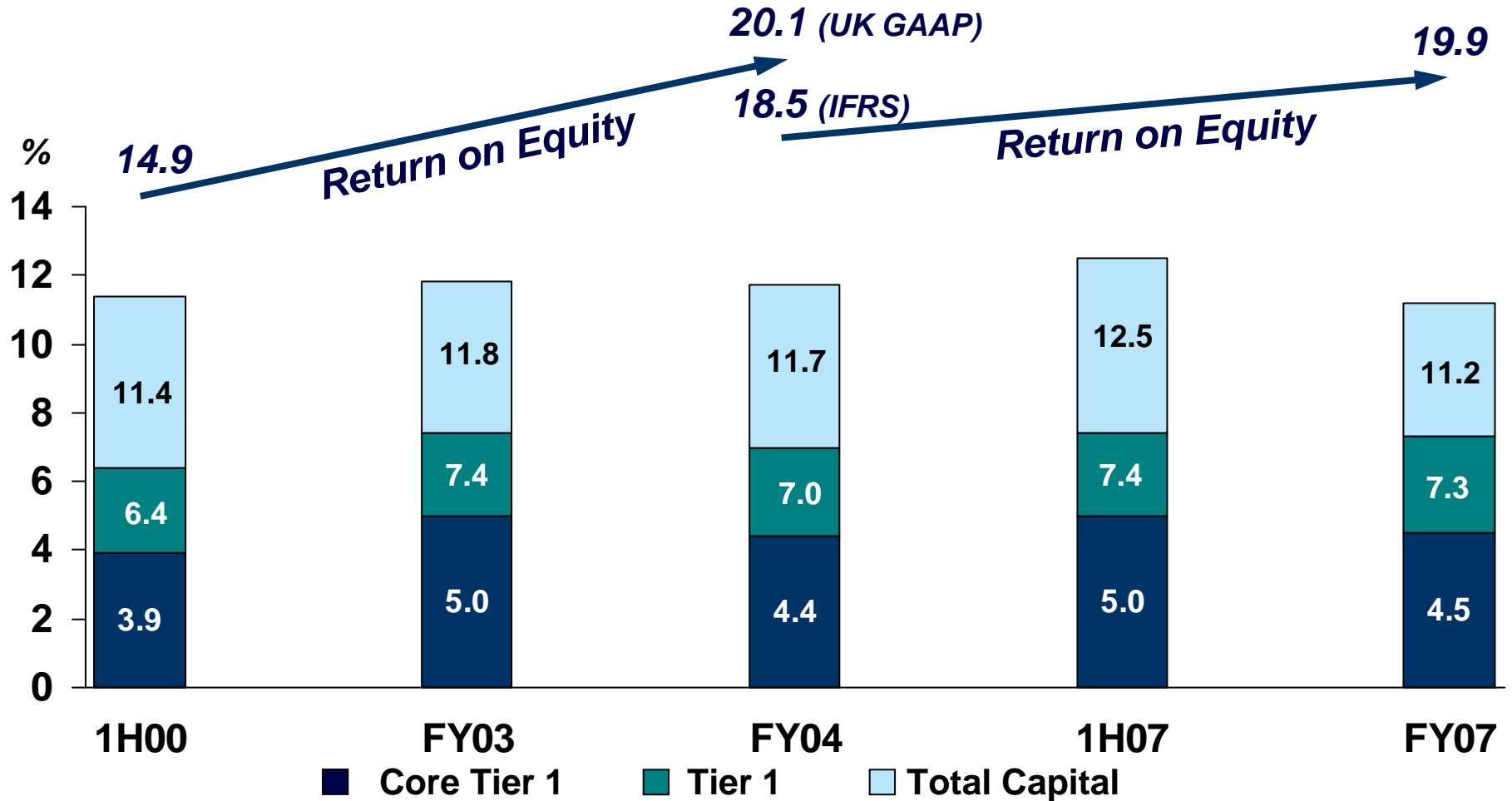
De-Levering

Capital Ratios 2000-07



2H07 capital ratios on fully consolidated basis

Capital Ratios 2000-07



2H07 capital ratios on fully consolidated basis

The world has changed ...

- Further deterioration in credit markets
- Examples of extreme counterparty liquidity stress
- Reduced forecasts for economic growth
- Pro-cyclicality of Basel II

... so must our target capital ratios

- Tier 1 capital between 7.5% and 8.5%
- Core Tier 1 capital ratio in excess of 6%

Accelerated Capital Rebuild

<i>Actions</i>	<i>£bn</i>
Net proceeds of rights issue	12.0
Capital effect of estimated write-downs	(4.3)
Estimated capital generated by disposals	4.0
Net new capital	11.7

- Estimated write-downs in 2008 £5.9 billion before tax
 - Estimates based on prudent assumptions
- Possible whole or partial disposals include RBS Insurance
 - Excellent business, but not central to the very strong UK and international banking franchises that RBS has built

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Delivering

Contribution by Division

<i>Pro Forma Underlying £m</i>	<i>2006</i>	<i>2007</i>	<i>Change %</i>
Regional Markets			
– UK Retail & Commercial Banking	5,722	6,250	+9%
– US Retail & Commercial Banking	1,821	1,557	-14%
– EME Retail & Commercial Banking	662	760	+15%
– Asia Retail & Commercial Banking	119	209	+76%
Global Markets			
– Global Banking & Markets	4,365	4,916	+13%
– Global Transaction Services	1,561	1,632	+5%
RBS Insurance	964	902	-6%
Group Manufacturing	(4,164)	(4,234)	-2%

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Regional Markets

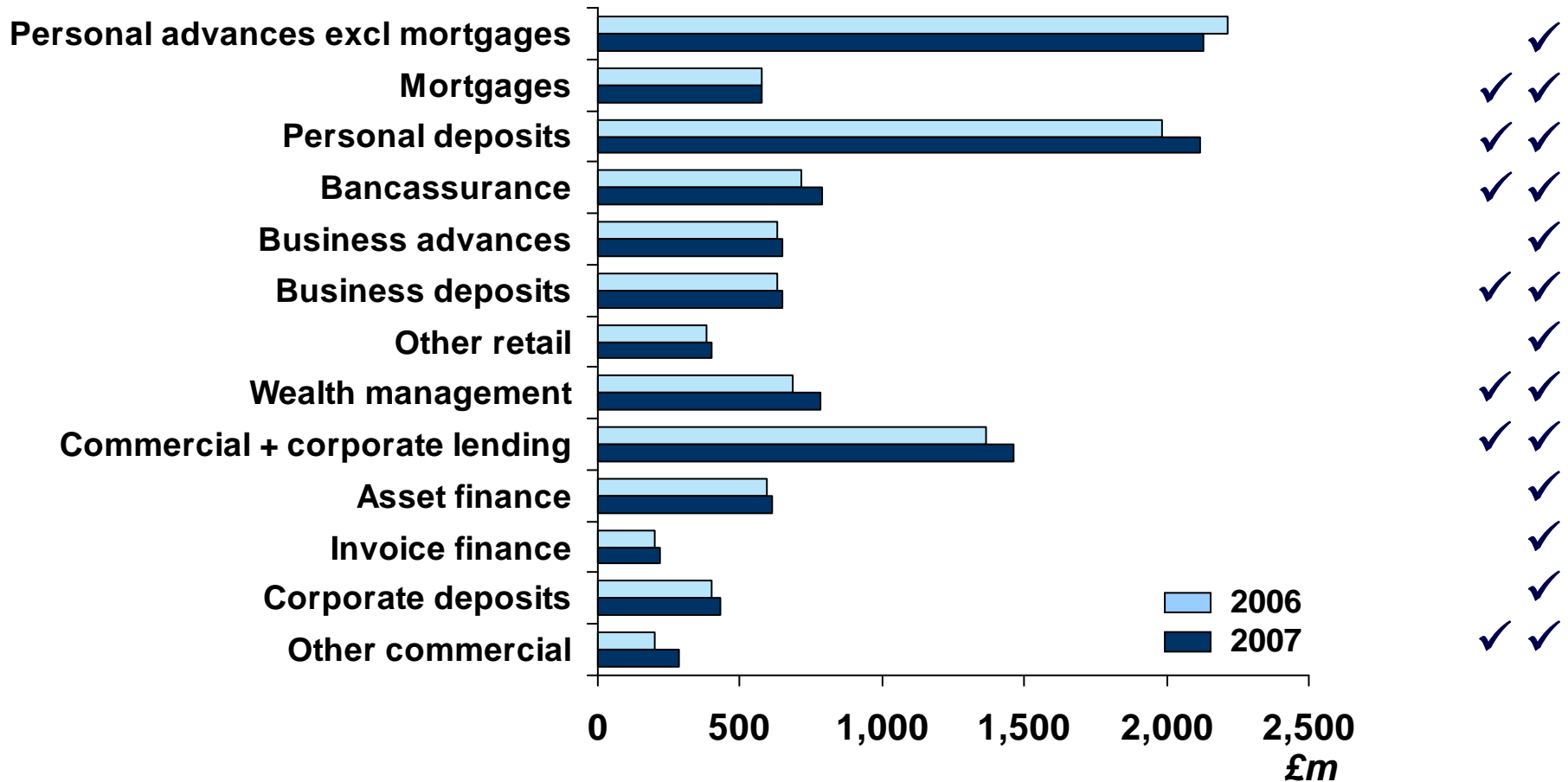
Trading Update

- Strong growth in retail and commercial deposits
- Excellent progress in UK Wealth Management
- Continued caution on personal unsecured lending
- Taking advantage of opportunities in UK mortgages to write good quality business at attractive margins
- Retail impairment losses continuing to improve, commercial credit quality stable
- 1% of commercial property lending is for speculative development

UK Retail & Commercial Banking

Underlying Income by Product

Outlook



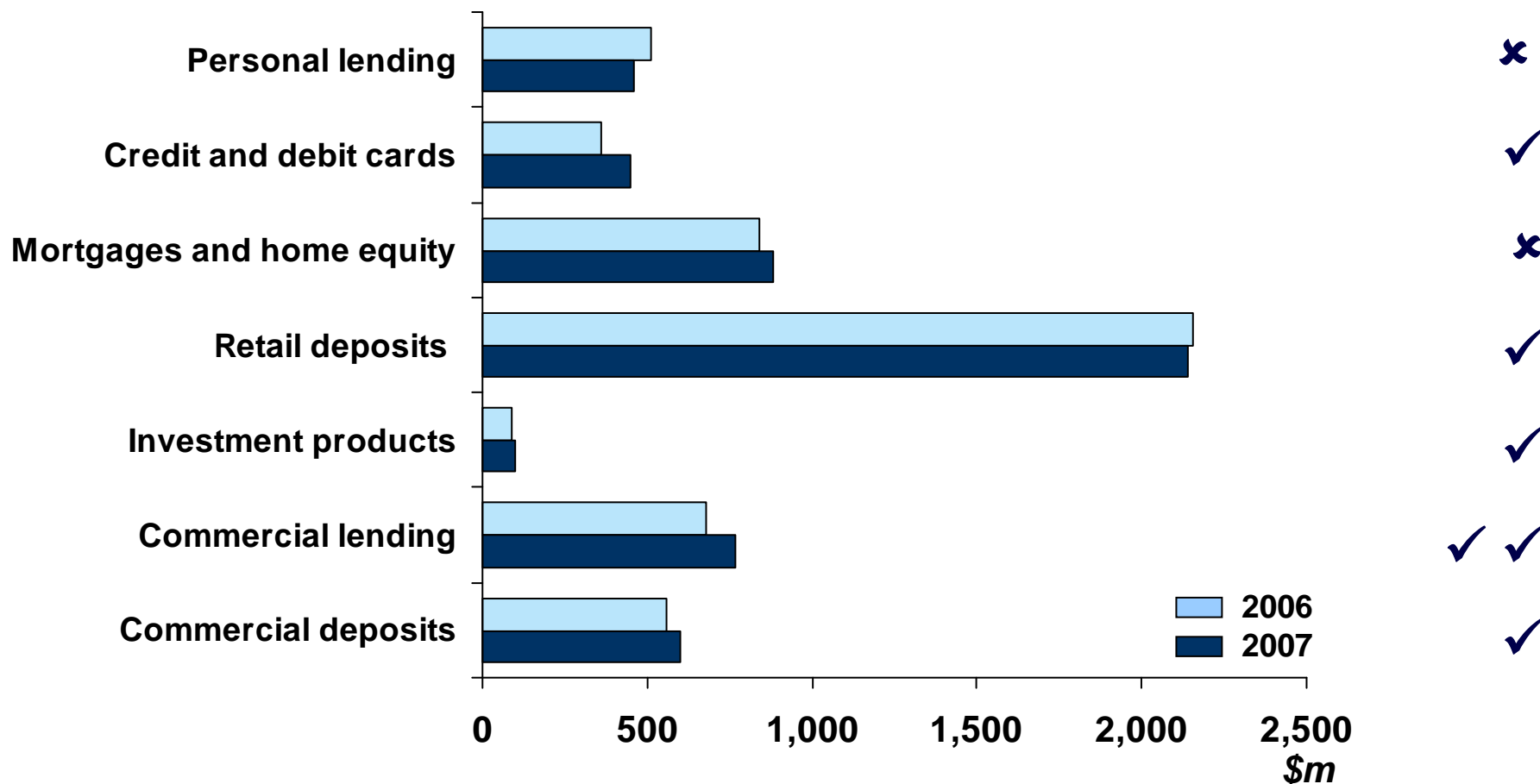
Trading Update

- Deposits stable, but pricing competitive
- Continue to diversify business
 - Good growth in commercial banking, cards and investment product sales
- Cautious approach to consumer lending
- Positive income growth, good cost discipline
- Credit quality satisfactory, except for specific portfolio in home equity book

US Retail & Commercial Banking

Underlying Income by Product

Outlook



Europe and Middle East Retail & Commercial Banking



2007	Branches	Customers 000s	Income Growth
Ireland	339	1,773	16%
UAE	8	250	24%
Romania	22	74	124%
Russia	5	24	n/a
Kazakhstan	4	55	57%

Income growth for 2007 shown in €, customer numbers at 31 December 2007

Excludes European Consumer Finance

Ireland branch number includes 56 business centres, UAE branch number includes 5 service centres

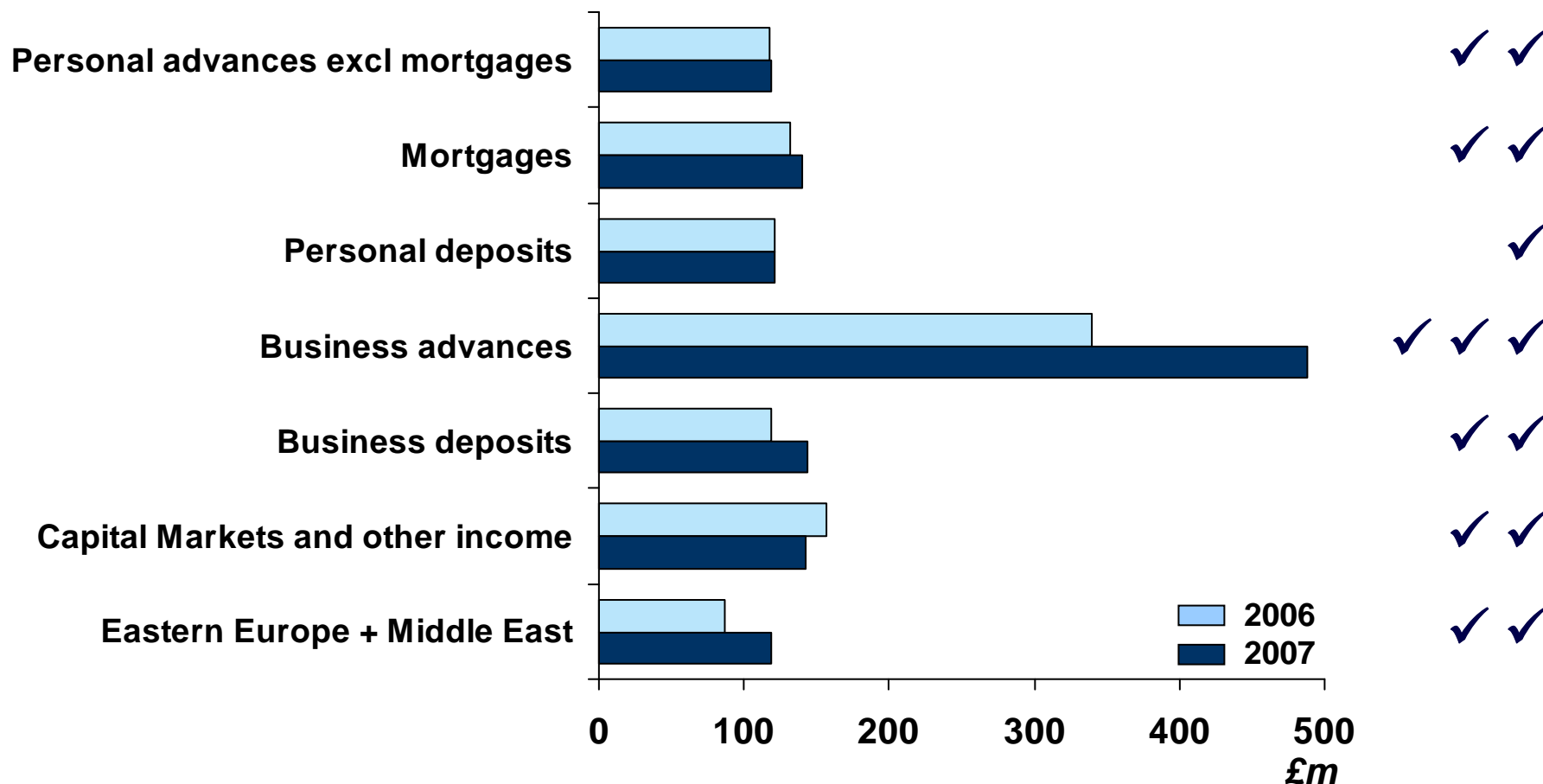
Trading Update

- Good growth in profit
- Income growth in Ulster Bank moderating in line with slower economic growth in Ireland
- Stable credit quality
- Good progress in UAE
 - Record sales of credit cards and personal loans
 - Continued strong growth in affluent banking

Europe and Middle East Retail & Commercial Banking

Underlying Income by Product

Outlook



Asia Retail & Commercial Banking

2007	Branches	Customers 000s	Income Growth
China	13	38	131%
Taiwan	17	1,116	20%
Hong Kong	5	138	70%
India	28	1,396	57%
Pakistan	81	226	21%
Singapore	5	245	70%
Indonesia	20	364	26%

Income growth for 2007 shown in \$, customer numbers at 31 December 2007

Trading Update

- Strong growth in income and operating profit
- RBS Coutts making excellent progress with strong growth in deposits and assets under management
- Affluent banking business showing strong momentum, with a doubling of client funds in China within the last year
- Continued investment in development of retail and commercial banking franchise across the region

<i>Pro Forma Underlying Contribution £m</i>	<i>2006</i>	<i>2007</i>	<i>Change %</i>
Asia Retail & Commercial Banking	119	209	+76%
Global Markets	436	604	+39%
Total RBS Asia underlying contribution	555	813	+46%

Excludes cost re-charges

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Global Markets

Global Banking & Markets Transformed Business



	2006	2007/2008
Customers	#1 UK, #10 Europe, #15 US	#1 UK, #1 Europe, #5 US, #5 Asia
Countries	22	52
Products	Debt financing, investor products, risk management	Top tier positions across debt financing, investor products, risk management. New capabilities in equities, commodities
Employees	8,500	23,500

Global Banking & Markets

Enhanced Global Franchises

Customers UK

1. RBS
2. Barclays
3. HSBC
4. Lloyds TSB
5. Citi

RBS #1 in 2007

Customers Europe

1. RBS
2. BNP Paribas
3. Deutsche Bank
4. Citi
5. HSBC

RBS #10 in 2007

Customers United States

1. Bank of America
2. JPMorgan Chase
3. Citi
4. Wachovia
5. RBS

RBS #15 in 2007

Customers Asia (ex Japan)

1. HSBC
2. Citi
3. Standard Chartered
4. Deutsche Bank
5. RBS

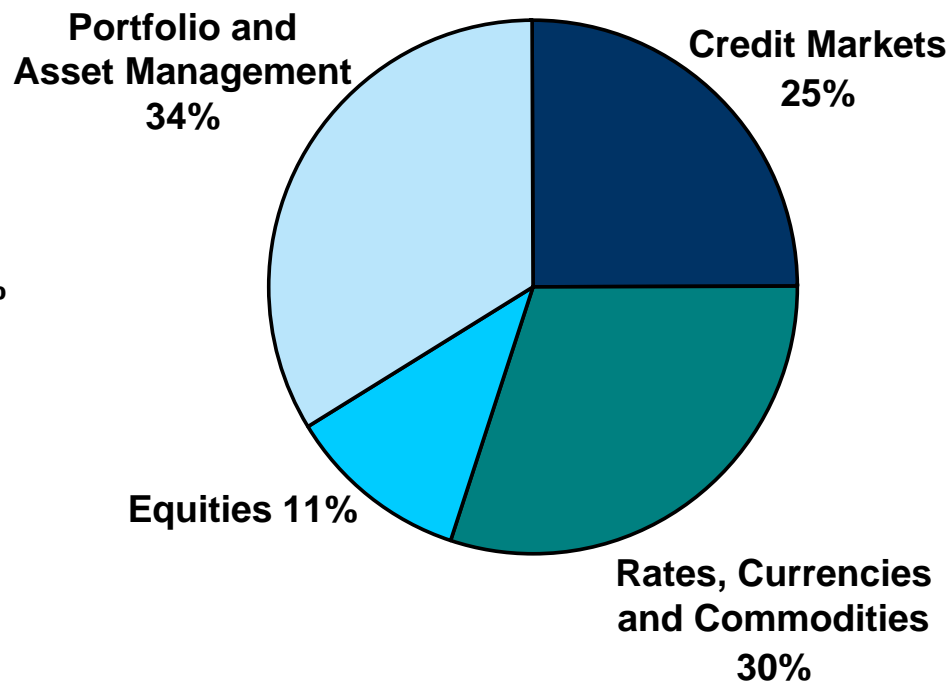
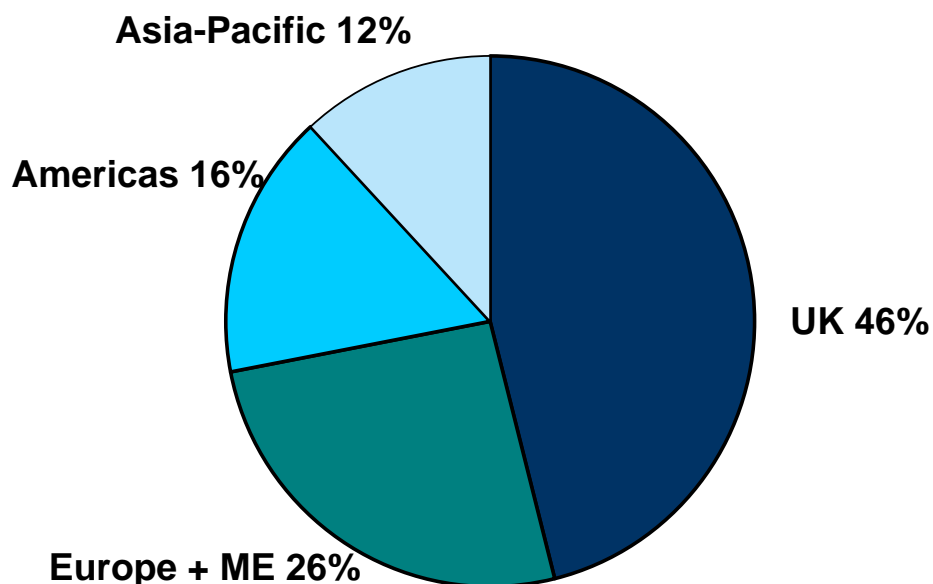
RBS unranked in 2007

Global Banking & Markets

More Diversified

Income by Geography

Income by Product

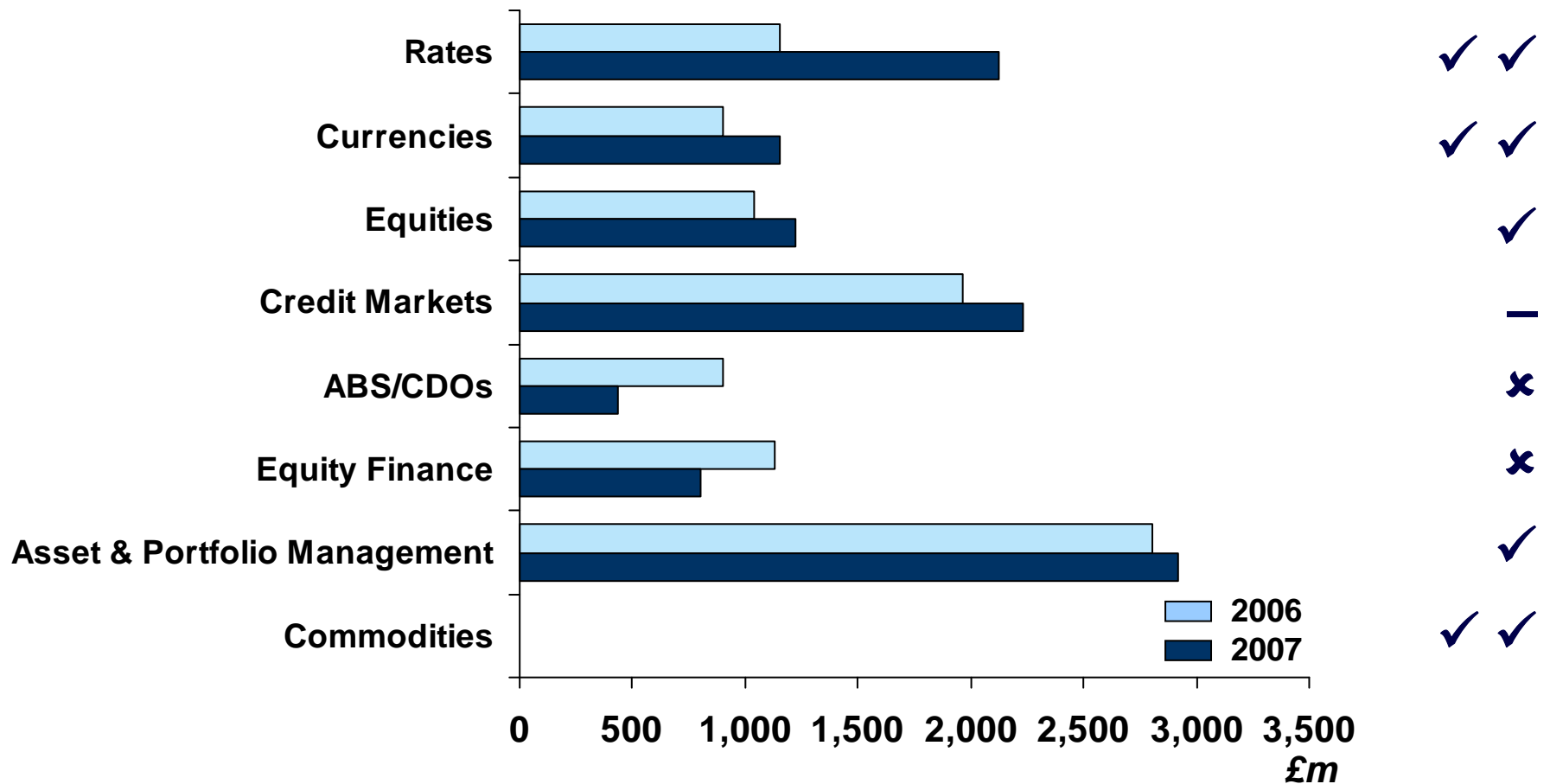


Trading Update

- Credit markets impacted by market conditions – write-downs, lower volumes
- Good performances in rates and currencies
- Good progress on realising potential of combination with ABN AMRO – significant number of joint transactions
- Formed commodities JV with Sempra Energy
- Credit impairments have remained low
- Strengthened North American management team

Underlying Income by Product

Outlook



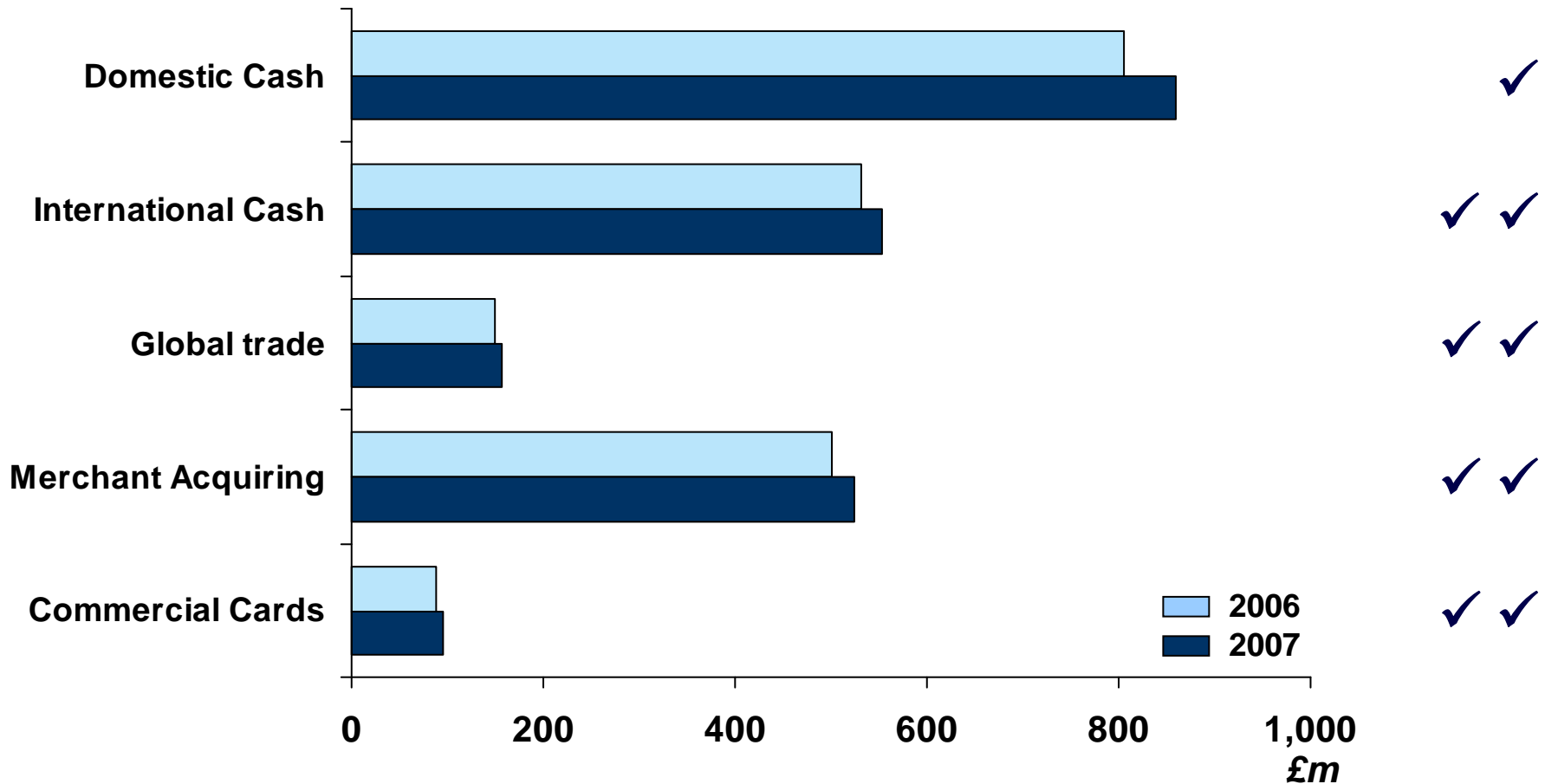
Trading Update

- Successful leverage of combined product strengths and customer franchises to win significant new business
 - International network and infrastructure
 - Extending and deepening existing relationships
 - Few global competitors
- Continued expansion of international reach in merchant acquiring
- Good growth in income and profit
- Well controlled expense growth

Global Transaction Services

Underlying Income by Product

Outlook



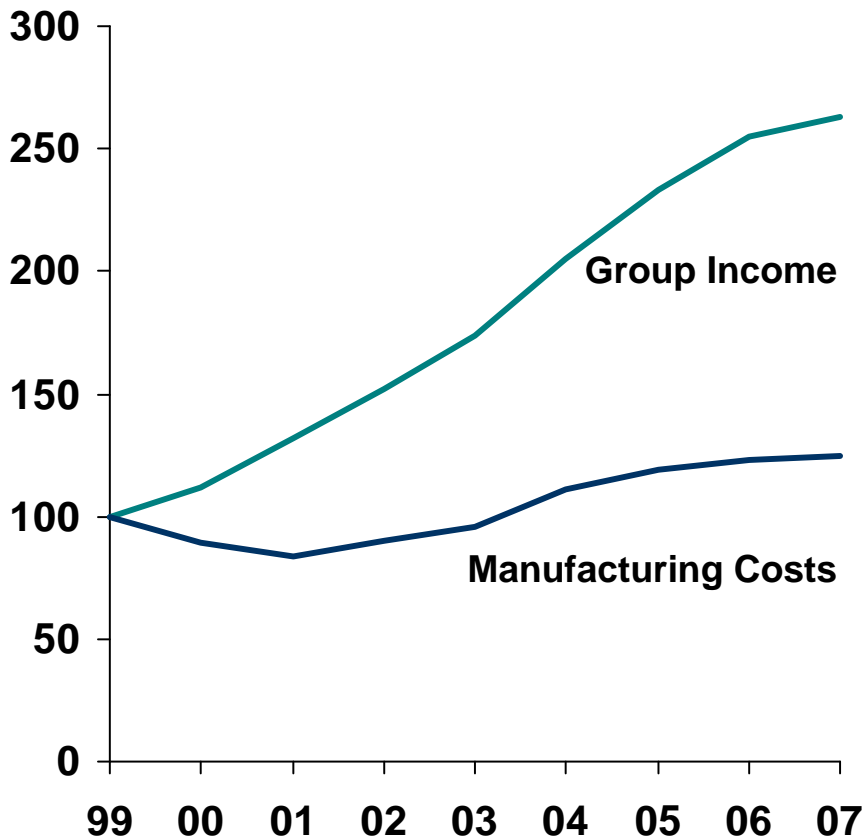
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Group Manufacturing

Group Manufacturing

Efficient Manufacturing Model



Extended Manufacturing Model

Degree of Globalisation

	2006	2008
IT	✓	✓✓✓
Property	✓✓	✓✓✓
Purchasing	✓✓✓	✓✓✓
Operations	✓	✓✓✓

- One model for Group, across all businesses
- Greater scale, leading to improved efficiency

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Transaction Benefits

Substantial Transaction Benefits

<i>ABN AMRO Businesses</i> <i>€m</i>	<i>Offer Doc</i> <i>July 2007</i>	<i>Now</i>
Total cost savings	1,319	1,596
Total net revenue benefits	395	688
Total transaction benefits	1,714	2,284

- 2010 transaction benefits represent 16% of 2007 operating profit

Achievable Transaction Benefits

<i>ABN AMRO Businesses</i> <i>€m</i>	<i>Underlying</i> <i>Results</i> <i>2007</i>	<i>U'lying Results 07</i> <i>+ Full Transaction</i> <i>Benefits</i>
Total income	6,886	8,346
Expenses	5,906	5,120
Impairment losses	338	397
Operating profit	642	2,829
Cost:income ratio	86%	61%

Underlying results for ABN AMRO businesses acquired by RBS, excluding share of shared assets
Underlying results adjusted for write-downs, impact of the sale of LaSalle and some minor normalisations
Full transaction benefits excluding central cost savings

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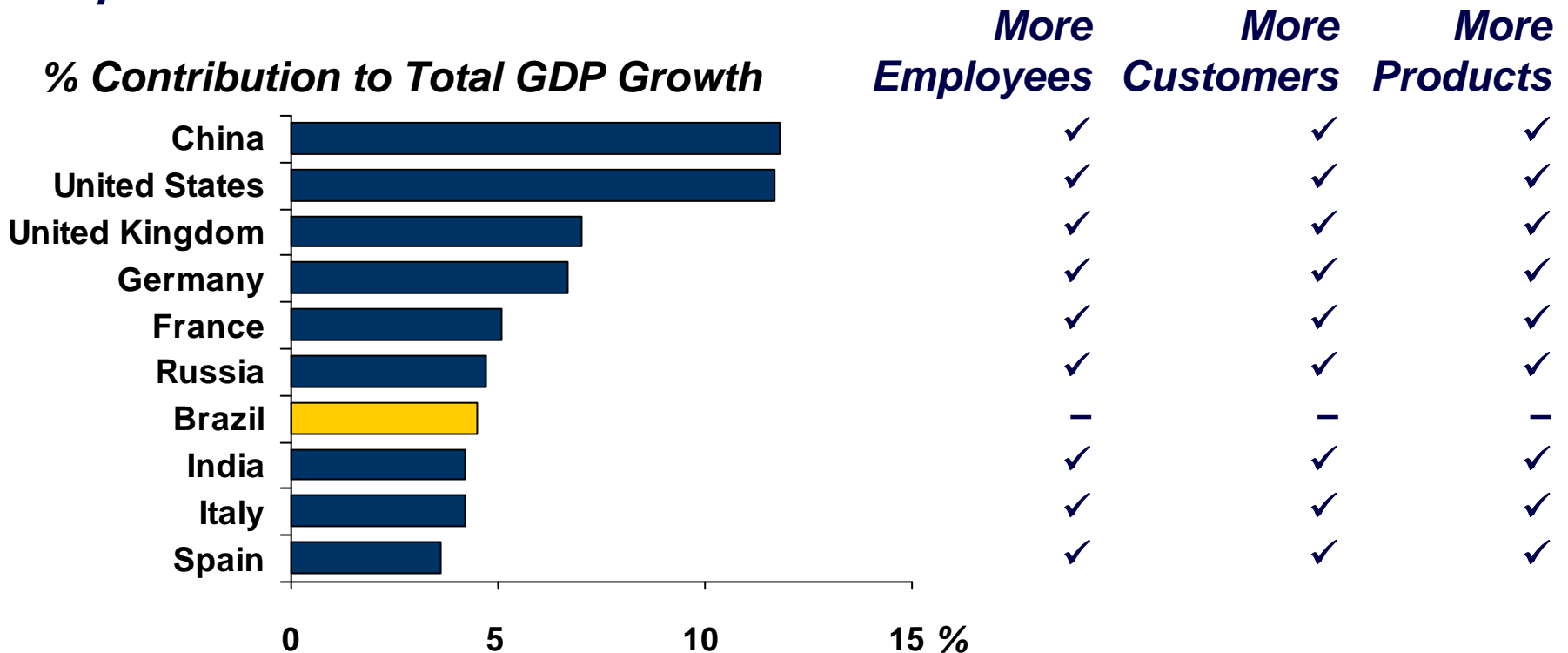


Conclusion

Well Positioned for Growth

- Present in 9 of top 10 economies contributing to global GDP growth
- Present in economies accounting for 91% of global GDP growth

Top 10 Contributors to Global Growth 2007



Source: IMF World Economic Outlook, October 2007

Well Positioned for Growth

‘Enhanced’

- Diversification
- Customer franchise
- Products
- Distribution channels
- Risk premium

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