

Consistent Progress Continues

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The RBS Vision

Business Progress

Core RBS: Driving Future Value

Achieving our targets

Summary & Outlook

What we are aiming for



To be amongst the world's most admired, valuable and stable **universal banks**, powered by **market-leading businesses** in **large customer-driven markets**

To target **15%+ sustainable RoE**, from a **stable AA category** risk profile and balance sheet

Well balanced business mix to produce an attractive blend of **profitability** and moderate but **sustainable growth** – anchored in the **UK** and in **retail and commercial banking** with **strong customer driven wholesale banking**. **Credible presence and growth prospects geographically and by business line**

Management hallmarks to include an open, **investor-friendly** approach, **strategic discipline** and proven **execution effectiveness**, **strong risk management** and a central **focus on the customer**

Each business attractive “in its own right”

- Leading customer franchises
- 15%+ RoE
- Proportionate risk and balance sheet usage
- Capable of organic growth

Strong business linkages – “One Bank”

- Sharing of costs, expertise, customers and capabilities to maximum extent that is profitable
- Shared management strengths
- Customer franchise and branding linkages

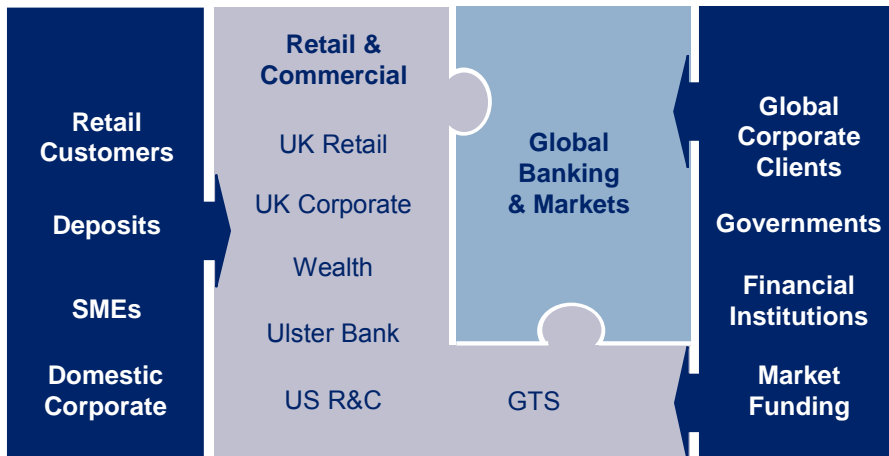
Complementary strengths

- Balance UK concentration vs. International
- Not all exposed to credit cycle
- Balancing of providers and users of funding
- Balancing growth potential vs. stability
- Complementary C:I and RoE dynamics

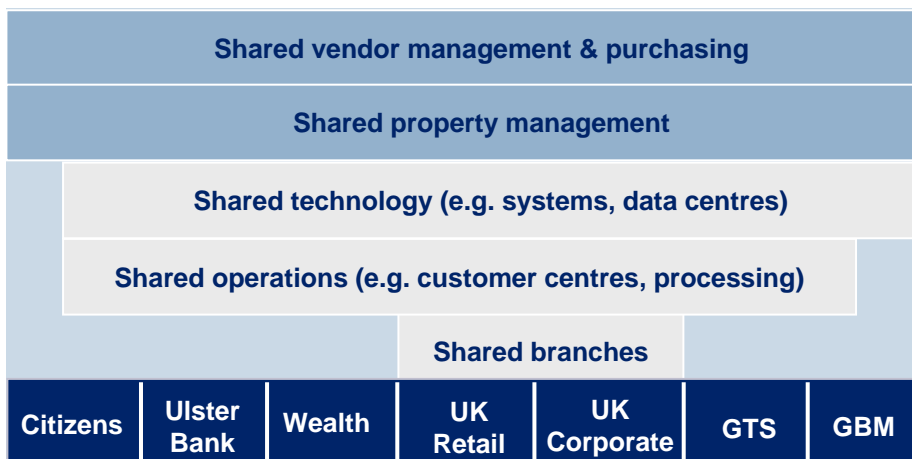
No sacred cows

- Each business must be valuable in its own right and still more valuable together
- We will continue to change the mix of businesses within the Group where there is a viable and valuable case to do this

A complementary group of businesses...

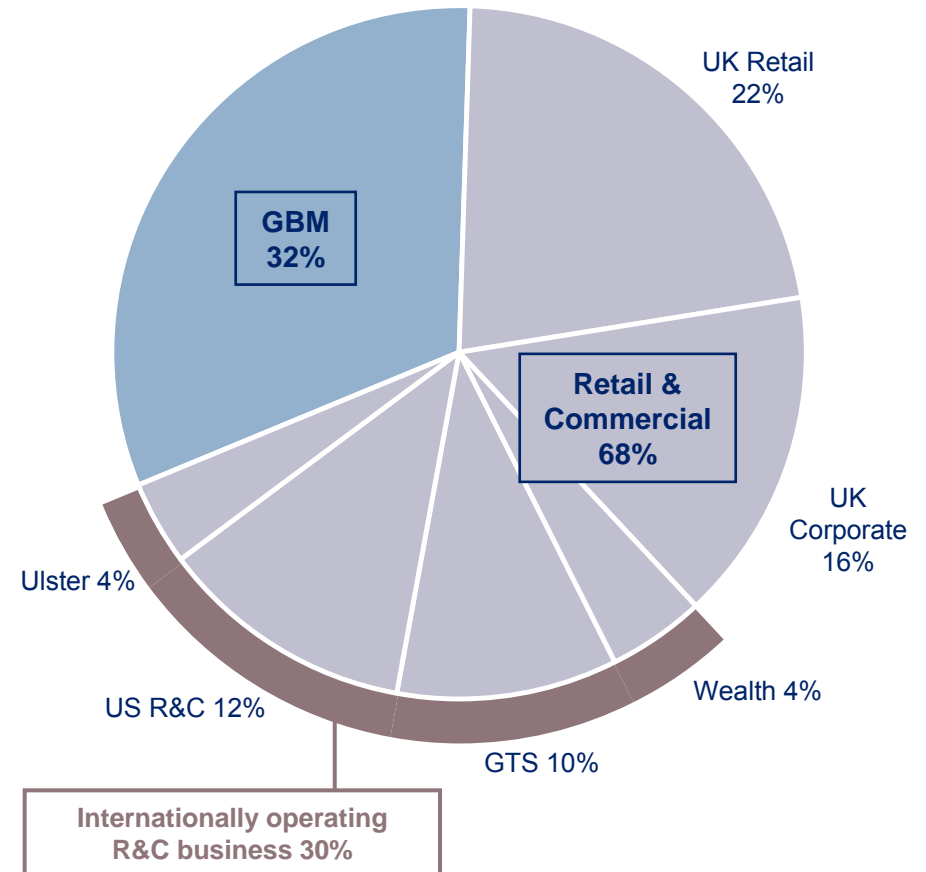


... with shared infrastructure...



... well balanced by business mix and geography

FY10 Core revenues¹ by Division



¹ Excluding Fair Value of Own Debt (FVoD), excluding RBS Insurance.

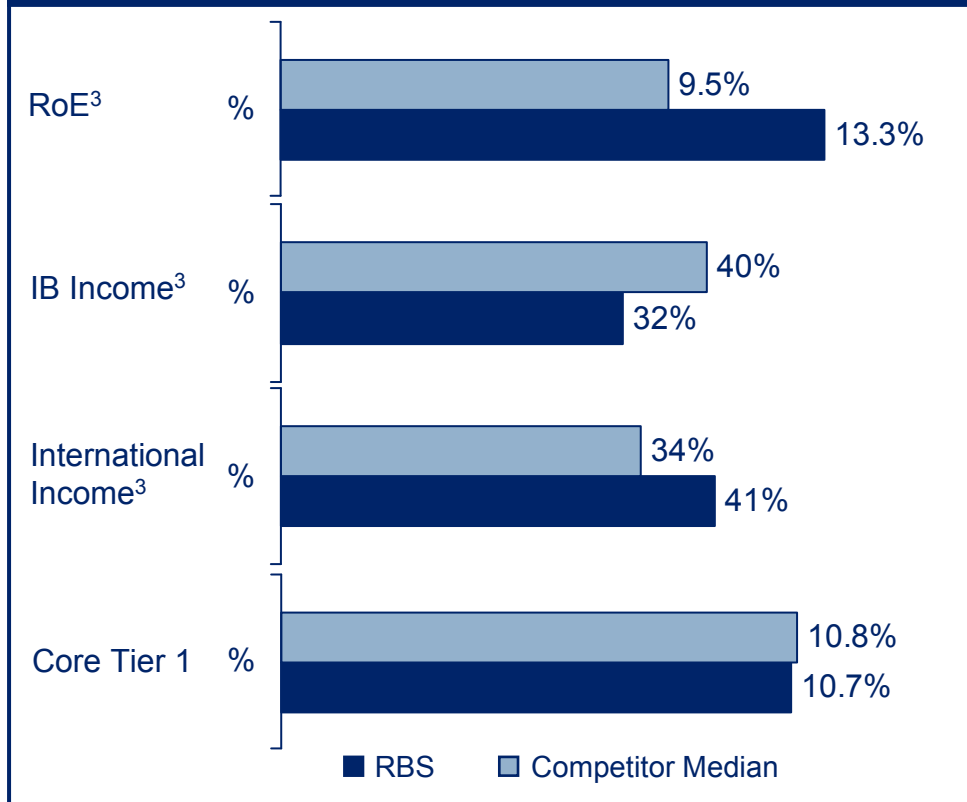
Benchmarking our peers



Market Capitalisation¹, £bn

Bank of America	Citigroup	>£60bn
HSBC	JP Morgan Chase	
BNP Paribas	Goldman Sachs	£40-60bn
Lloyds Banking Group	Mitsubishi UFJ Group	
RBS	Santander	
UBS		
Barclays	Credit Suisse	£20-40bn
Deutsche Bank	Morgan Stanley	
Societe Generale	Sumitomo	
Nomura		<£20bn

FY10 position vs. peer² median

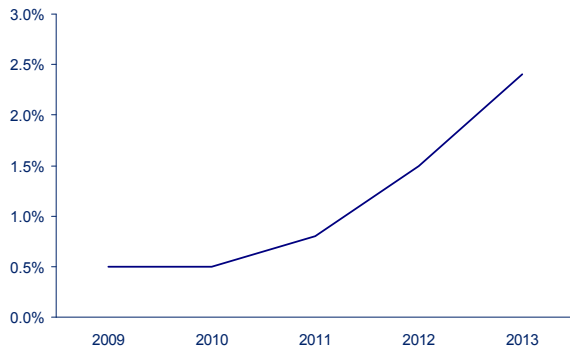


- One of the largest global banks
- A well balanced business, diversified by geography and business mix
- 'In the pack' on capital; robust CT1 needed to address APS exit, regulatory changes

¹ As at 14th March 2011. RBS includes B Shares. ² Peers consist of Bank of America Merrill Lynch, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, LBG, Mitsubishi UFJ, Morgan Stanley, Nomura, Santander, Societe Generale, Sumitomo, UBS, using FY10 results. ³ RBS Core

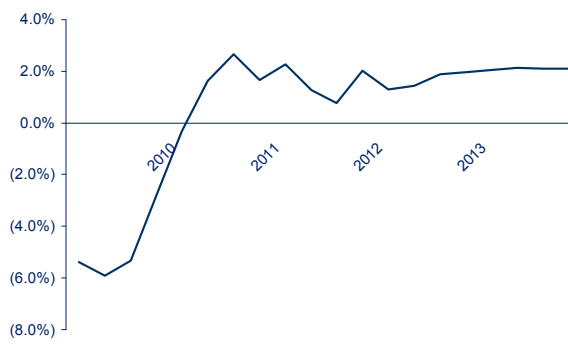
Rebalancing expected to continue in the UK economy...

UK Official bank rate, %



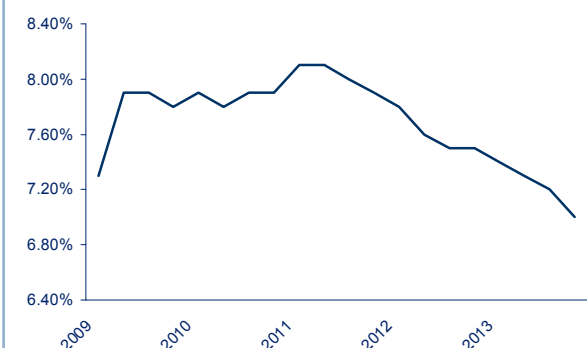
Source: HM Treasury (based on independent average)

UK GDP, %



Source: RBSG Economics

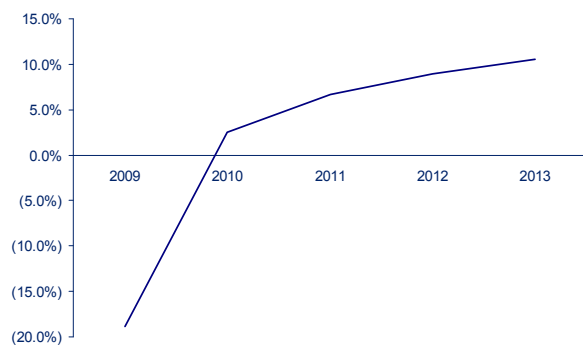
UK unemployment, %



Source: RBSG Economics

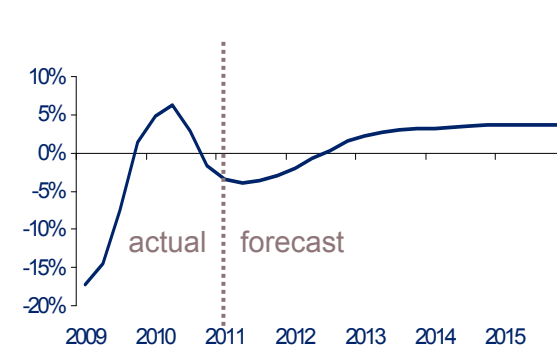
...while UK households and businesses emerge from crisis

UK Business investment, % growth YoY



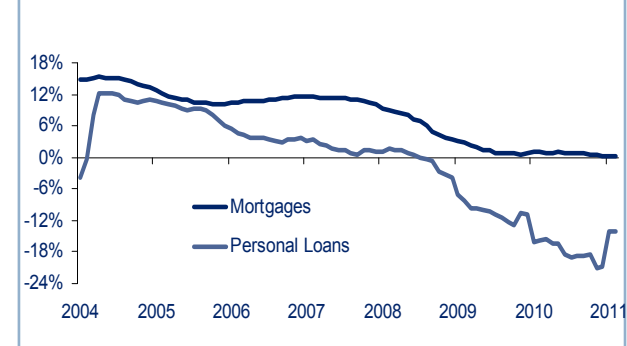
Source: Office for Budget Responsibility

House prices expected to rise gently



Source: Halifax house prices

Households are borrowing less



Source: RBSG Economics

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Core Business:

Operating profit ¹	£2.1bn (+25%) ³	UK Retail, Corporate & GBM driving performance; Insurance profitable
Return on Equity ^{1,2}	15% (+300bps) ³	Core RoE growth driven by UK Corporate, GBM & RBS Insurance
Core NIM	2.26% (+1bp) ³	Stable margin as R & C growth offset by funding/liquidity initiatives
Cost : income ratio ^{1,4}	56.2% (-190bps) ³	Costs flat y-o-y, investment programme on track
Impairments	£872m (-6%) ³	General improvement across the board, except Ulster Bank
Loan : deposit ratio ⁵	96%	Stable quarter-on-quarter, better than 100% target

Group Progress:

Operating profit	£1,053m (vs £55m) ³	Reduced Non-Core losses
Funded assets ⁶	£1,052bn (-6% y-o-y)	Modest growth in R&C
Non-Core run-down	£125bn, (-52% vs FY08)	On target to be <10% of Group assets by FY11, down £13bn in Q1
Capital strength	11.2% CT1 (+50bps) ³	Robust capital position, benefitting from Non-Core RWA reduction

¹ Excluding Fair Value of Own Debt (FVoD). ² Equity allocated based on share of Group tangible equity. ³ Versus Q410. ⁴ Adjusted C:I ratio net of insurance claims. ⁵ Net of provisions. ⁶ Third party assets excluding derivatives.

Core Bank

The focus for sustainable value creation

- Built around customer-driven franchises
- Comprehensive business restructuring
- Substantial efficiency and resource changes
- Adapting to future banking climate (regulation, liquidity etc)

Non-Core

The primary driver of risk reduction

- Businesses that do not meet our Strategic Tests, including both stressed and non-stressed assets
- Radical financial restructuring
- Route to balance sheet and funding strength
- Reduction of management stretch

Cross-cutting Initiatives

- **Strategic change** from “pursuit of growth”, to “sustainability, stability and customer focus”
- **Culture and management change**
- **Fundamental risk “revolution”** (macro, concentrations, management, governance)
- **Asset Protection Scheme** (2012 target for exit)

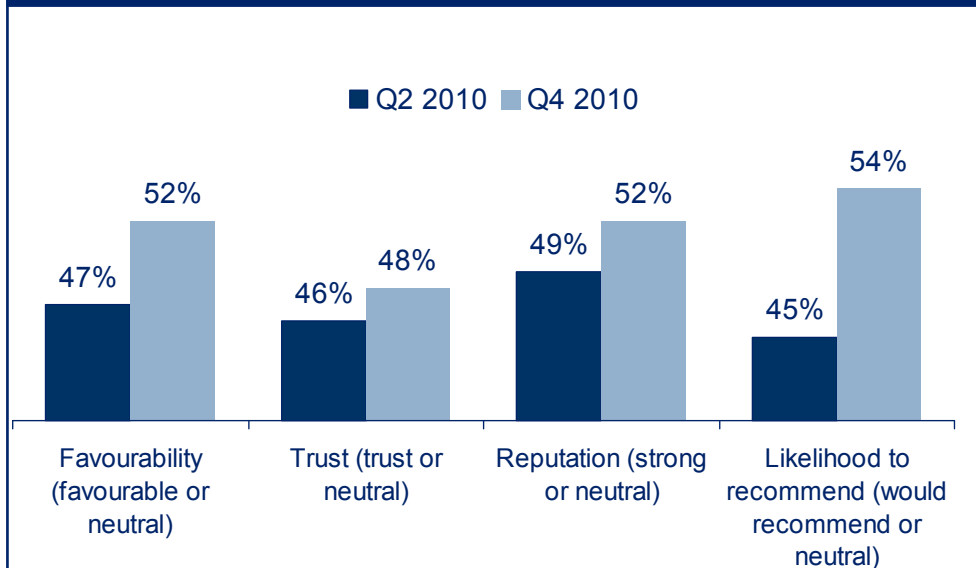
Customer driven franchises



	Market Position ¹	Customer Satisfaction ¹	Comments ¹
UK Retail	➔	➔	Robust franchises, increasing customer satisfaction; Strong deposit and mortgage performance
UK Corporate	➔	➔	Leading customer satisfaction & market position; Strong growth in deposits reflecting success in broadening of relationships
Wealth	➔	➔	Lending up 18% driven by strong mortgage growth (20%); Coutts UK customers up 1%
GTS	➔	➔	Strong trade finance lending, +58%, driven by world trade flows; Strong deposit increases driven by international cash management
Ulster	➔	➔	Resilient deposit performance; Good growth in customer numbers +3%
US R&C	➔	➔	Strong customer satisfaction, improving quality of relationships, average checking balances up 11% ² , improving product/customer mix
GBM	➔	➔	Continued focus on improving target client revenues and share of wallet; Maintaining top tier positions with FICC. Banking client relationships: #1 important relationships in UK, #3 Europe, #5 USA, #9 APAC
Insurance	➔	➔	Rating / pricing action has reduced higher risk motor customer numbers, while high retention rates have been maintained for preferred risks. Growth in own brands home (2%), international (15%) and travel (64%)

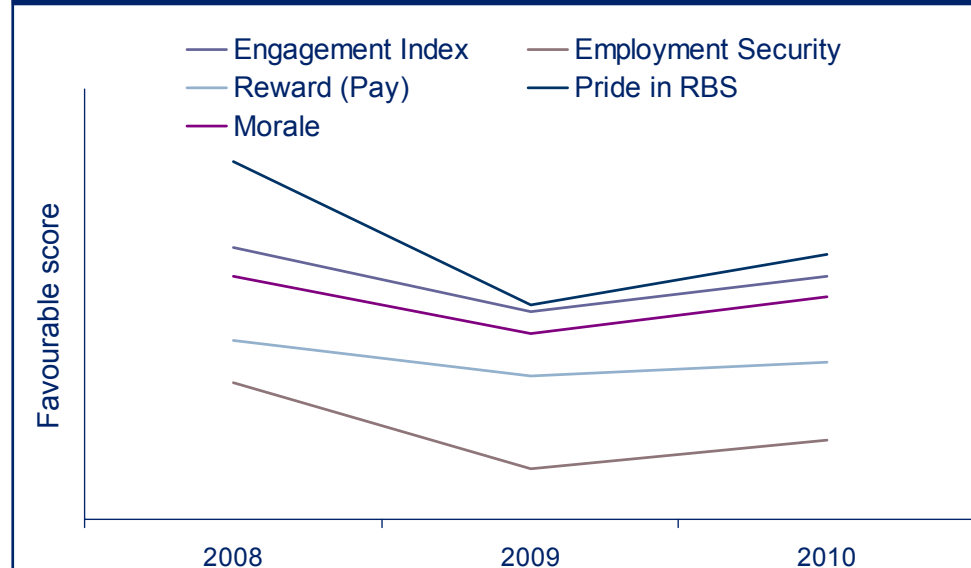
¹ Relates to FY10. ² Total US Retail & Commercial including Commercial and SME checking balances.

RBS brand perception in the UK¹



- Putting the issues of the crisis behind us
- Improving perception of the brand
- All key metrics on an upward trajectory

Improving staff sentiment²

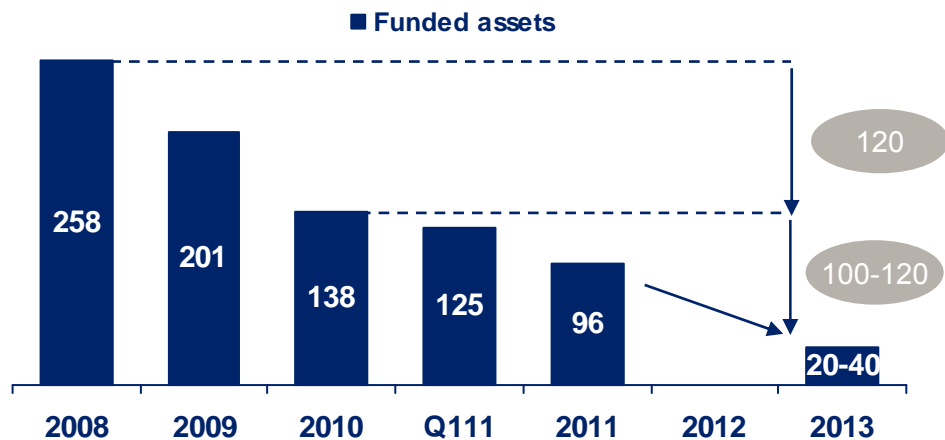


- Staff engagement and morale returning to pre-crisis levels
- Pride in working for RBS rebuilding
- Ability to retain and recruit talent strengthening

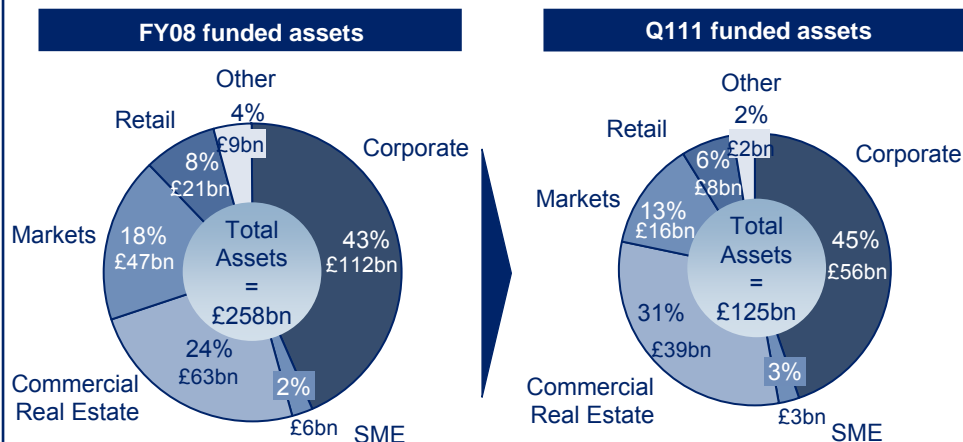
¹ Source : Survey based on consumers with current accounts. ² Source: RBS Employee Opinion Survey 2008, 2009, 2010

Risk reduction progressing well

Non-Core reduction profile

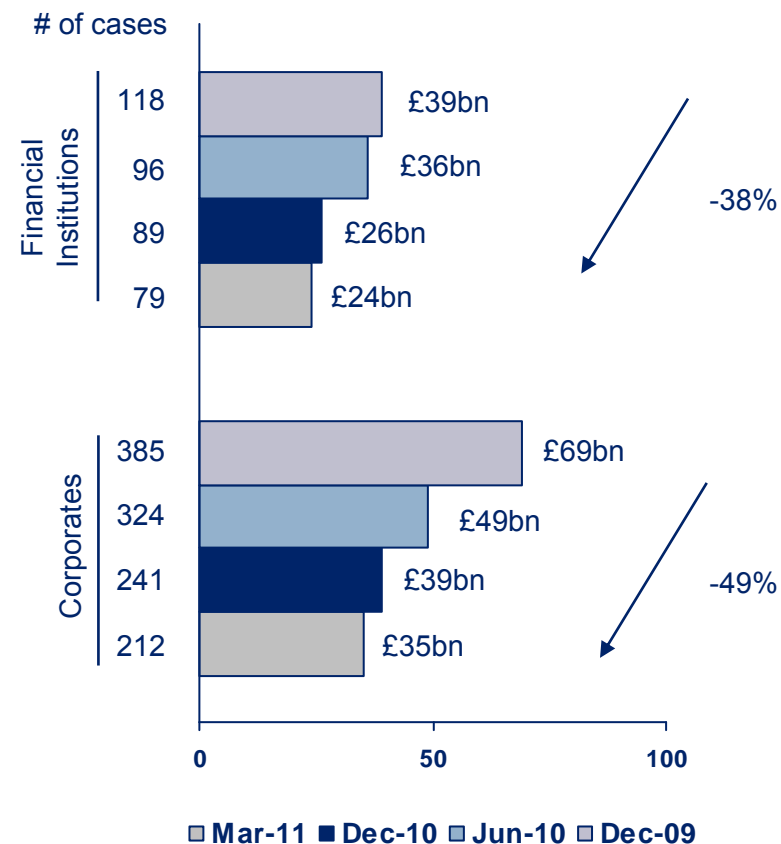


Balanced portfolio reduction to date



Substantial reduction in 'tall-trees' exposures

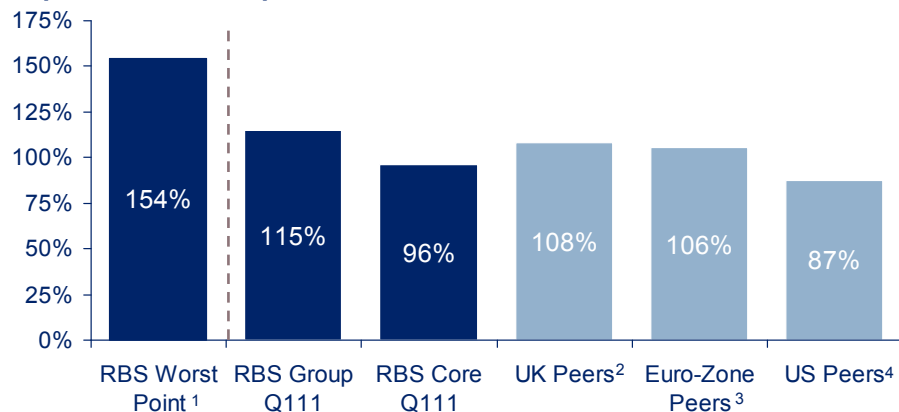
Single name concentration over risk appetite¹



¹ The SNC framework sets graduated appetite levels according to counterparty credit ratings. The chart shows names that are in breach of the framework at FY10

Loan : Deposit ratio improved

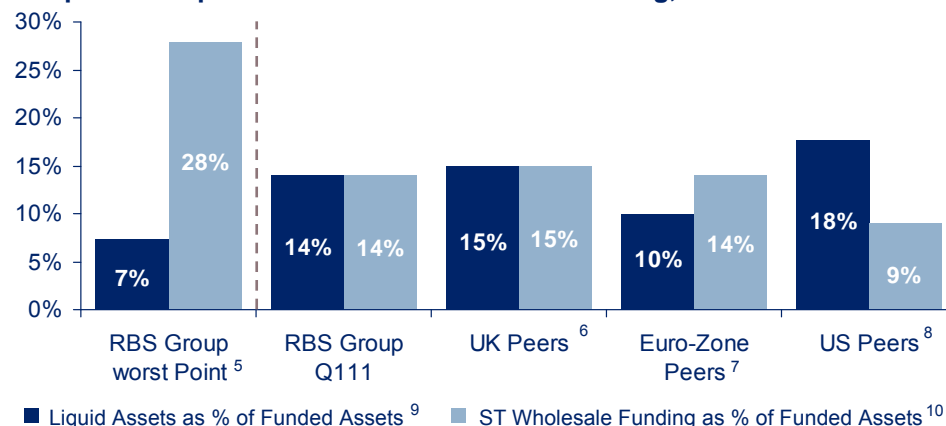
Comparative loan : deposit ratios, %



- Loan : deposit ratio improved to 115% for Group, remained at 96% for Core Q111
- Net Stable Funding Ratio of 96% at Q111
- Strong deposit gathering franchises build customer balances by £14bn in 2010.

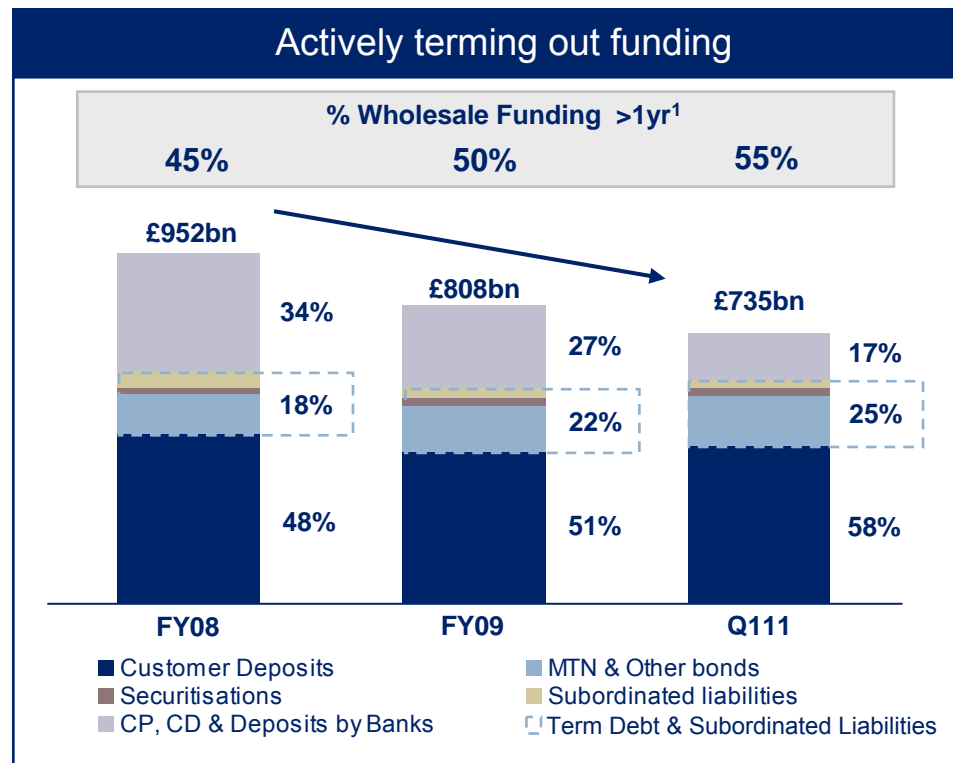
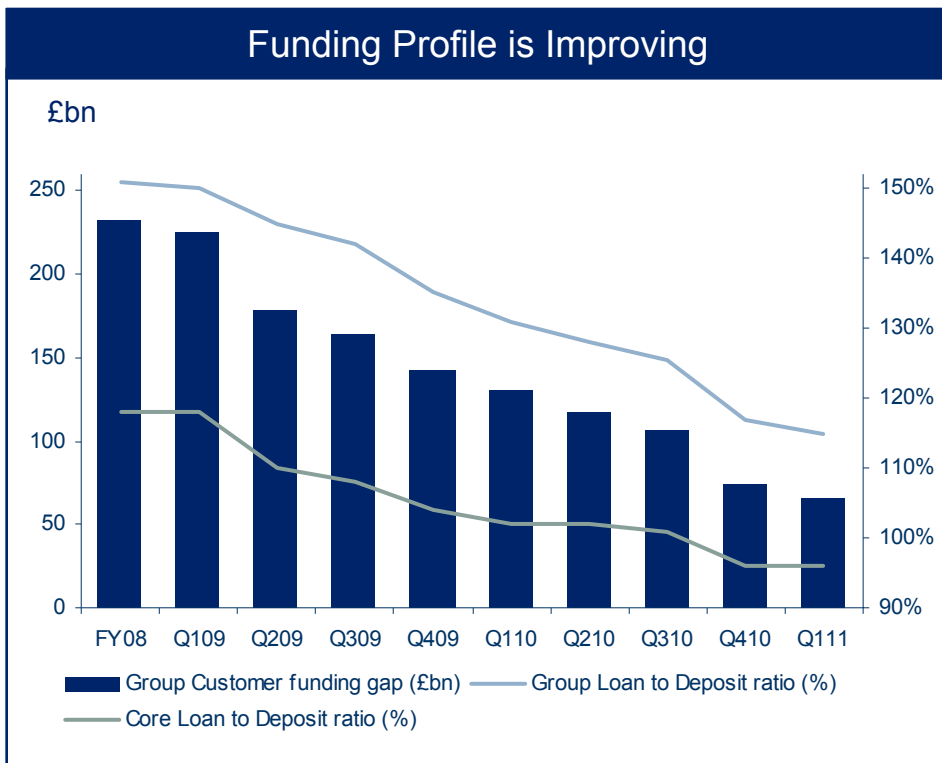
Wholesale funding & Liquidity balance achieved

Comparative liquid assets and ST wholesale funding, %



- Short term wholesale funding¹¹ now 45% of total wholesale funding¹², down from 55% at FY08
- Liquidity portfolio remains in line with target of £150bn
- Quality of liquidity pool improving, £30bn FSA eligible government bond portfolio.

¹ As at October 2008. ² UK Peers consist of Barclays, HSBC, Lloyds Banking Group and Standard Chartered at FY10 ³ Euro-Zone Peers consist of Deutsche Bank, Santander, BNP Paribas at FY10. ⁴ US Peers consist of Bank of America, Citigroup, JP Morgan and Wells Fargo at FY10. ⁵ As at FY08. ⁶ UK peers consist of Barclays, Lloyds Banking Group and HSBC as at FY10. ⁷ European peers consist of Deutsche Bank and BNP Paribas as at FY10. ⁸ US Peers consist of JPMorgan, Bank of America and Citigroup as at FY10. ⁹ Source: Company Information & RBS Estimates: Liquid assets comprise AFS debt securities and cash, except for RBS, Lloyds & Barclays where company quoted liquidity is used. ¹⁰ Source: Company Information & RBS Estimates: Short-term wholesale funding calculated excluding trading liabilities, RBS short term wholesale funding excludes derivative cash collateral. ¹¹ Short term wholesale funding consists of debt securities and subordinated liabilities with residual maturity of less than one year. ¹² Excludes bank deposits.



- Funding gap has reduced by £65bn to £66bn in year to Q111
- Wholesale deposits from banks down £36bn year-on-year to £64bn, represents 9% of total funding (down from 13% at Q110)
- Wholesale funding greater than one year now 55% of total wholesale² (FY08: 45%)
- Short-term wholesale funding down to c.15% of funded assets

¹ Wholesale funding >1 year as percentage of total wholesale funding; excludes deposits received from customers and banks. ²Excluding bank deposits

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Core RBS: Driving Future Value

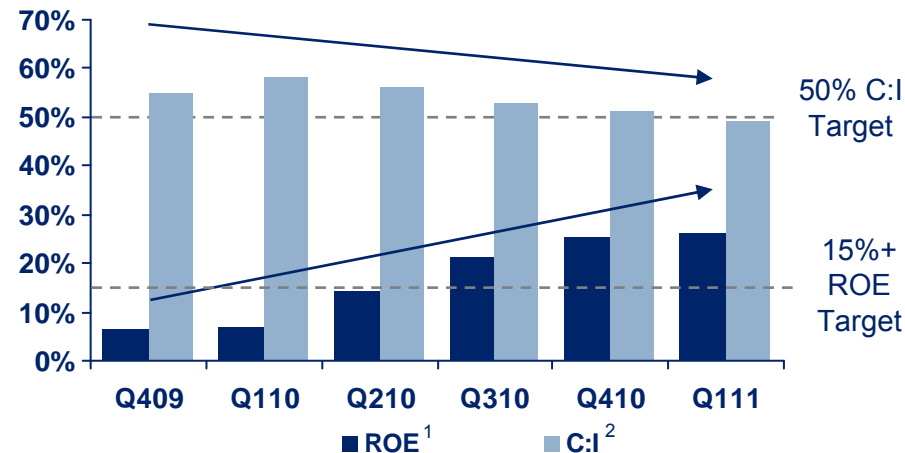
Achieving our targets

Summary & Outlook

Re-engaging Customers and Strengthening our Brands

- Published customer charter - have delivered on 80% of the 25 goals outlined
- Major investment programme supporting improved customer service
- Investing in the digital drive – enhanced iPhone app, simplification of payment processes
- Simplification of product proposition, focus on set of core products
- Strong sustained market share in key focus areas such as mortgages and deposits

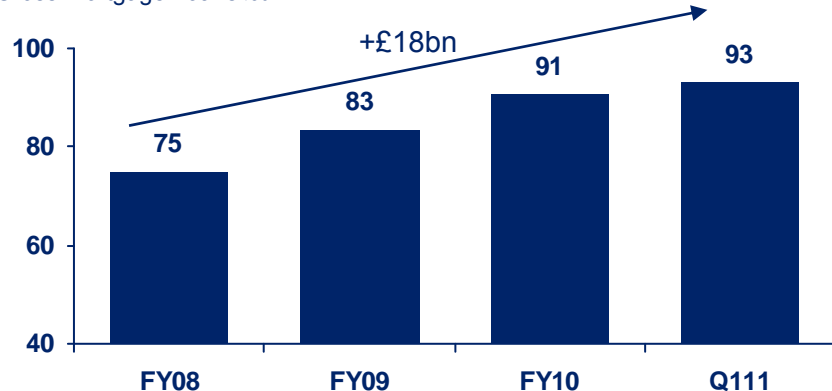
ROE and C:I Ahead of Target



Mortgage Lending

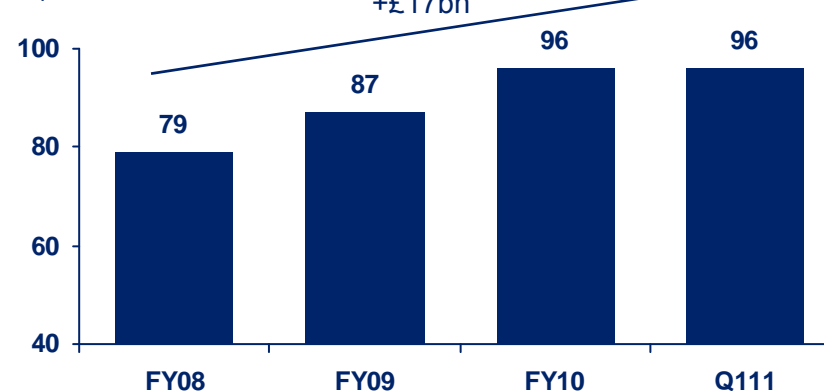
- Number 1 in net new lending for 2010, exceeding targets

Gross Mortgage Loans £bn



Strong Deposit Gathering Franchise³

Deposits £bn

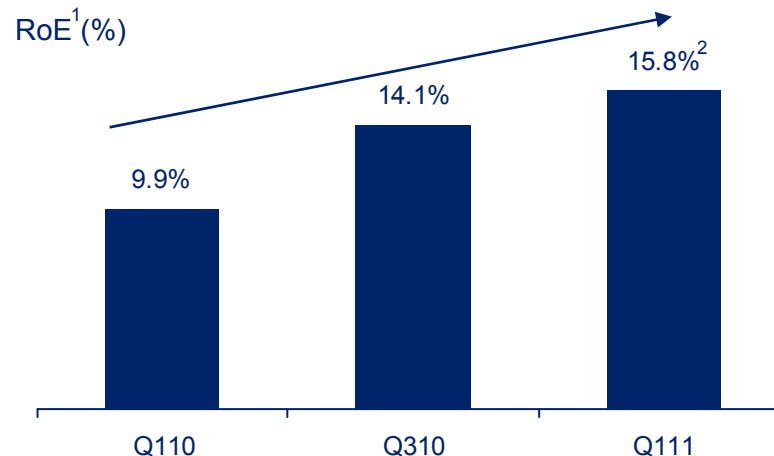


¹ ROE: Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 9% of the monthly average of divisional RWAs, adjusted for capital deductions); Q4 2010 adjusted for timing of intra-quarter items. ² Adjusted cost:income ratio is based on total income after netting insurance claims, and operating expenses. Q410 adjusted for FSCS levy and insurance profit share. ³ Deposits exclude bancassurance

Strong Franchise

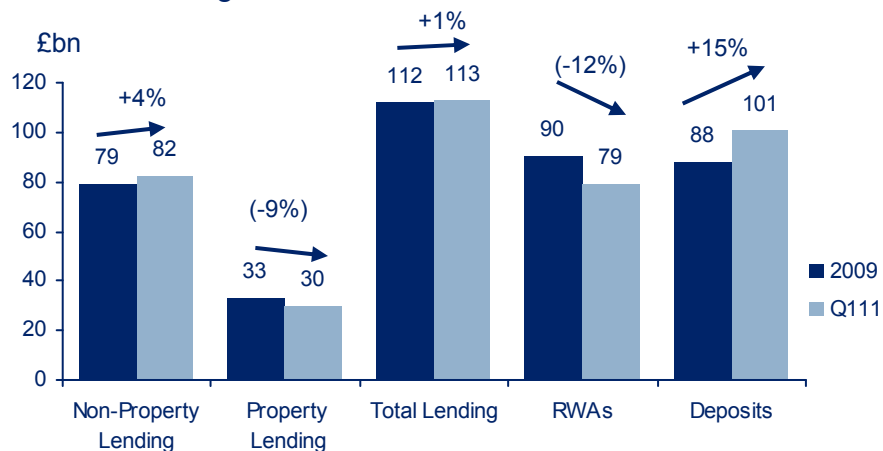
- Strong market share and customer satisfaction provide healthy base for growth
- Well connected, offering clients full service across GTS and GBM products.
- Strong deposit collecting franchise, balances up 10% year-on-year
- Loan book rebalancing away from concentration in commercial property.
- £300m 5-year investment programme across delivery, data and risk platforms

Strong Quarterly ROE progression

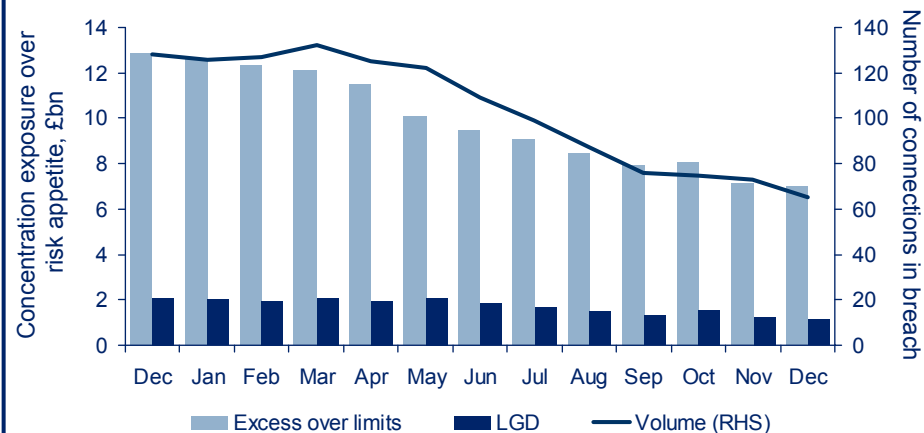


Rebalancing Occurring

A self-funding franchise



Reducing Concentrations: SNC³, FY09-FY10

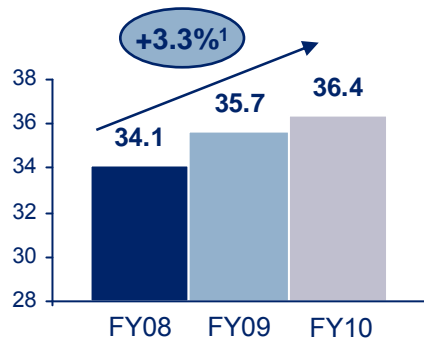


¹ ROE: Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 9% of the monthly average of divisional RWAs, adjusted for capital deductions). ² Adjusted to exclude £50m fee income adjustment. ³ Single Name Concentrations.

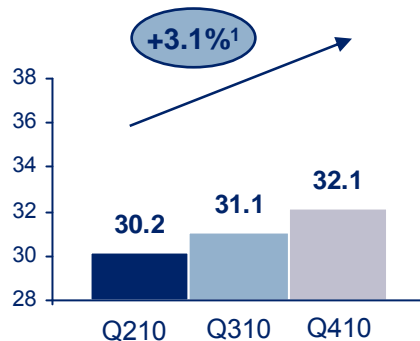
Wealth - Defined strategy

- High return potential with strong brand
- New management in place in Q410
- New strategy delivers sharper market focus and client proposition
- Making progress in UK with increased focus on advisory services
- Targeted deposit gathering strategy continues to grow deposit base

Deposit Growth, £bn



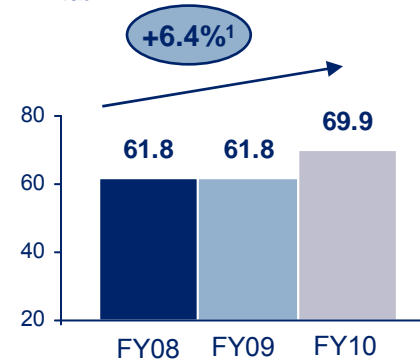
Assets Under Management, £bn



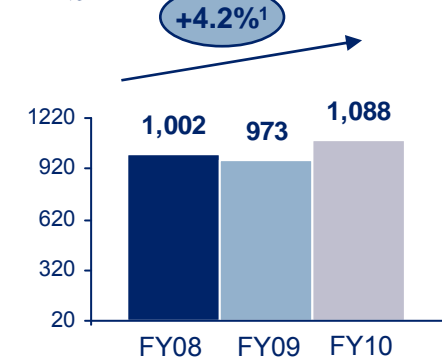
GTS - Top 5 Global player

- Stable quality returns through-the-cycle
- New management appointed in Q111
- Strong position as liquidity manager and provider of working capital solutions
- Increased focus on cross-selling, coupled with technology platform investment
- Deposit growth reflects gains in International Cash Management business

Deposit Growth, £bn



Operating profit, £m

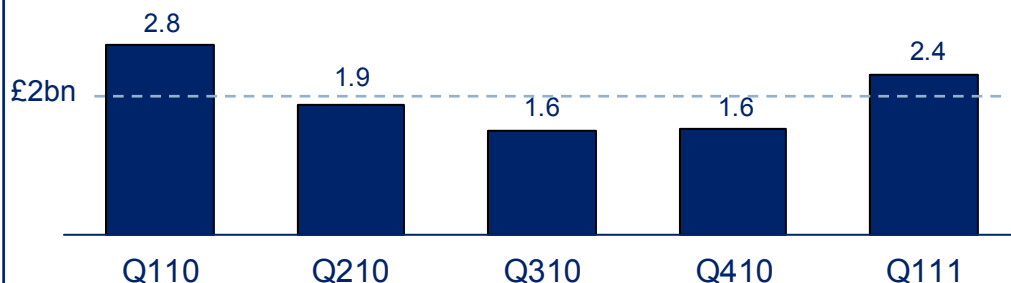


Expect to see benefits beginning to emerge later in 2011

¹ Compound annual growth rate

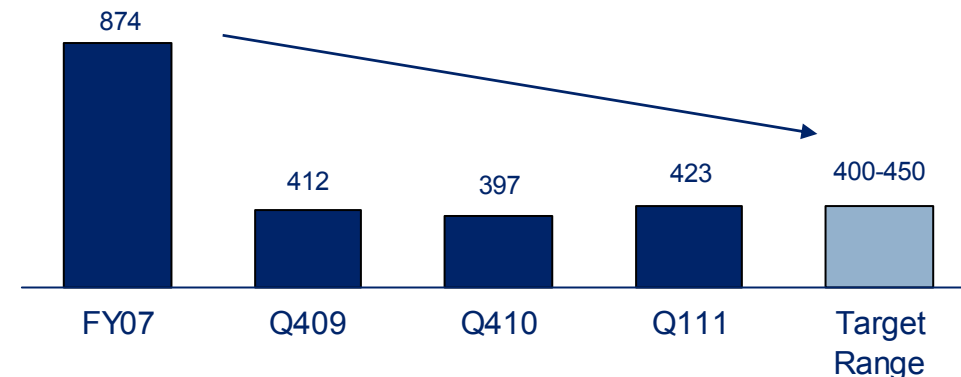
Generating attractive income and earnings

GBM Core revenues £bn



Operating off a rebalanced and de-risked balance sheet

GBM TPAs¹ £bn



Strong positioning in key markets

	FY10 Est. Ranking	FY10 Revenues £bn
Rates - Flow & MM	Top 5 ²	2.1
Currencies	Top 5 ^{2,3}	0.9
Mortgage & Credit markets	Top 5 ⁴	2.2
PM & Origination	#6 ⁵	1.8
Equities	Top 10 ²	0.9

With further opportunity to develop

GBM continues to evolve its proposition ...

Deepening client franchise & wallet share

Focus on improving target client revenues and share of wallet

Enhanced product capability

Increased penetration of e-Commerce platforms notably FX & Bonds

... while delivering required returns

Cost discipline

Cost:Income ratio of 55% at Q111 among lowest in peer group

Meeting targeted returns

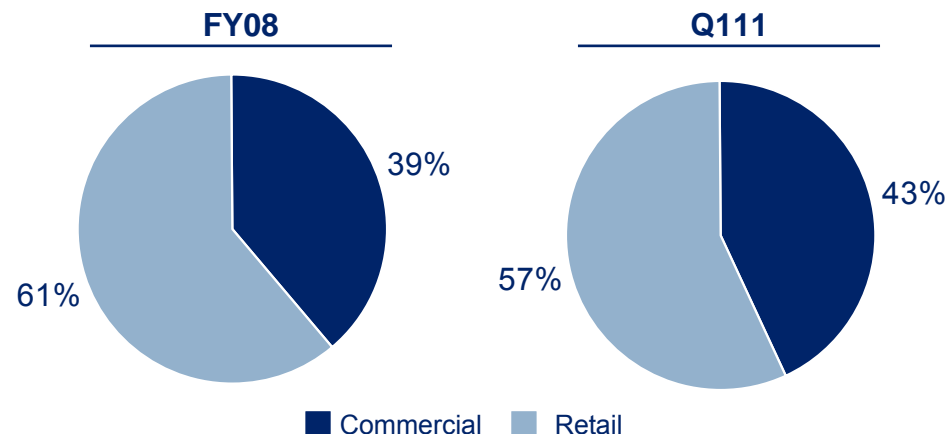
Reported FY10 RoE 16.6%, Q111 of 20.8% - well placed relative to peers

¹ Third party assets. ² Coalition (Equities ranking based RBS regional product offerings). ³ EuroMoney. ⁴ RBS Estimate. ⁵ Dealogic (EMEA all debt).

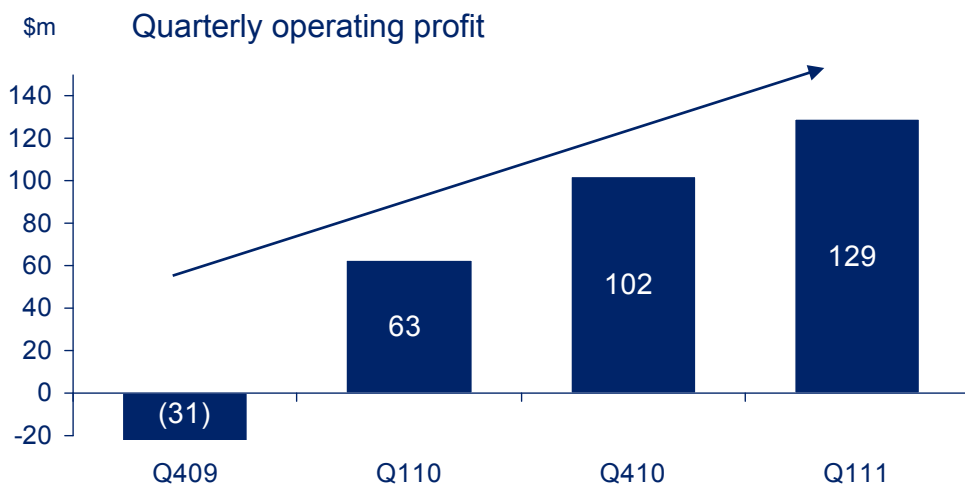
Robust customer metrics

- Customer satisfaction is high at 73.1%¹, and above regional competition, 71.7%¹
- Good consumer perception; 10%¹ of non-customers most likely to switch to Citizens
- Active online banking penetration of the household base up 5%²
- Consumer checking balances up 7%²
- Small business banking checking balances up 11%²

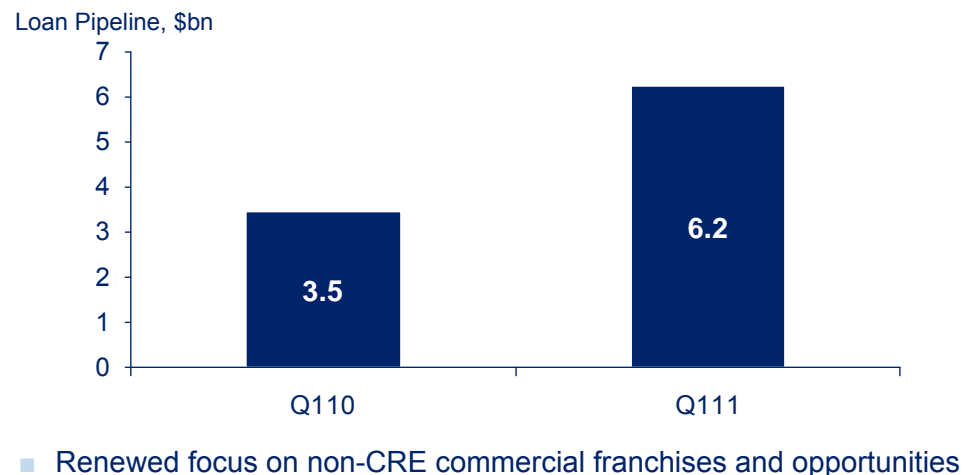
Rebalancing asset mix towards Commercial



Rebuilding Profitability



Strong Pipeline of New Commercial Loans³

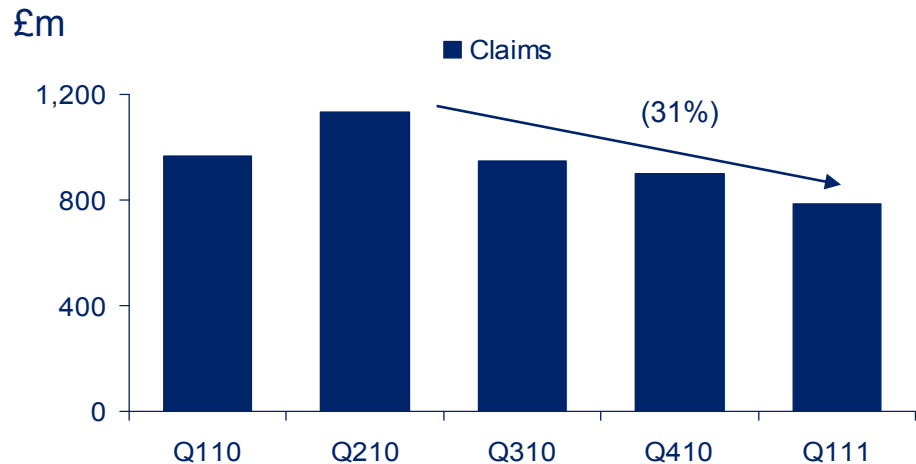


¹ Data Source: Kantum Research. ² March '10 to March '11 (monthly average used for balances). ³ Represents total commercial commitments in the pipeline (customers with sales \$5MM-\$2B).

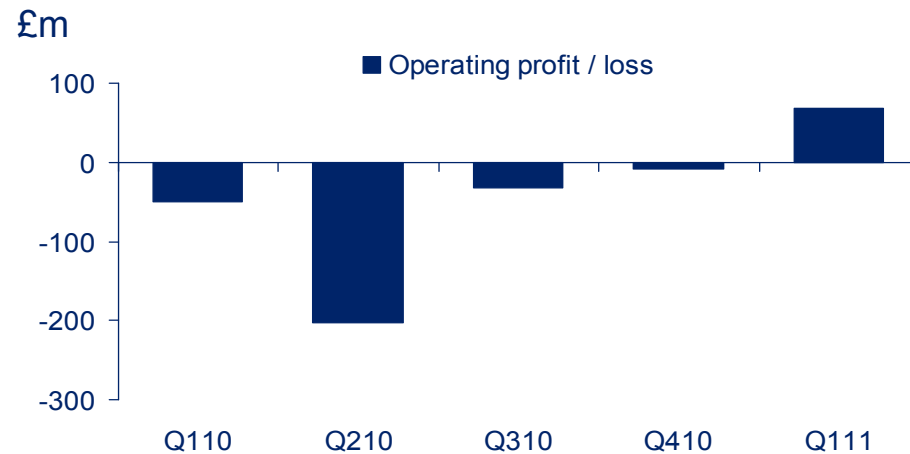
Improving the under-performers: RBS Insurance



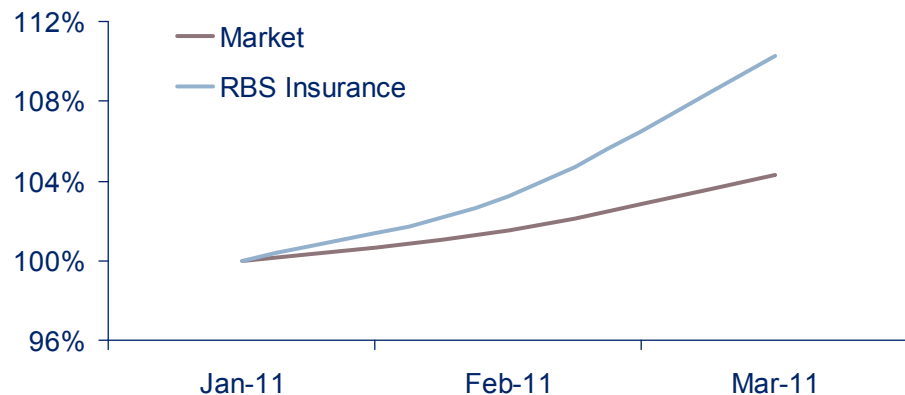
Lower claims costs



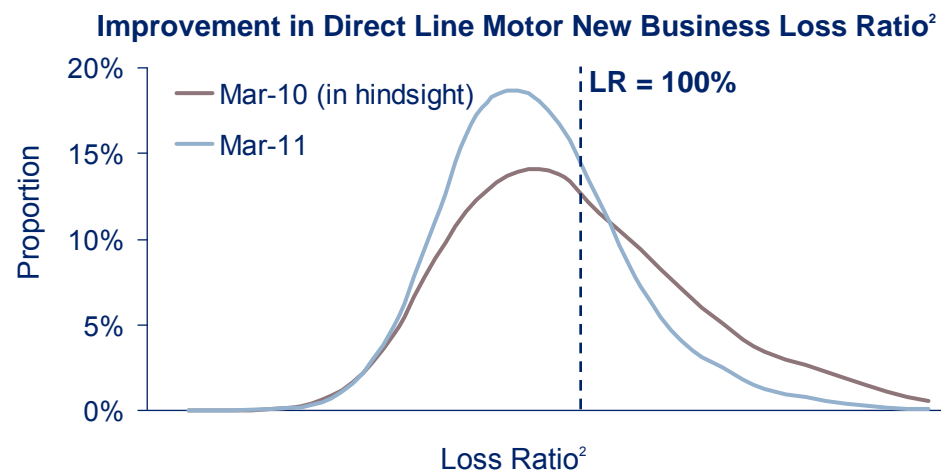
helping drive a return to profitability



ongoing motor price improvements in Q111¹



driving further improvements in Direct Line loss ratio

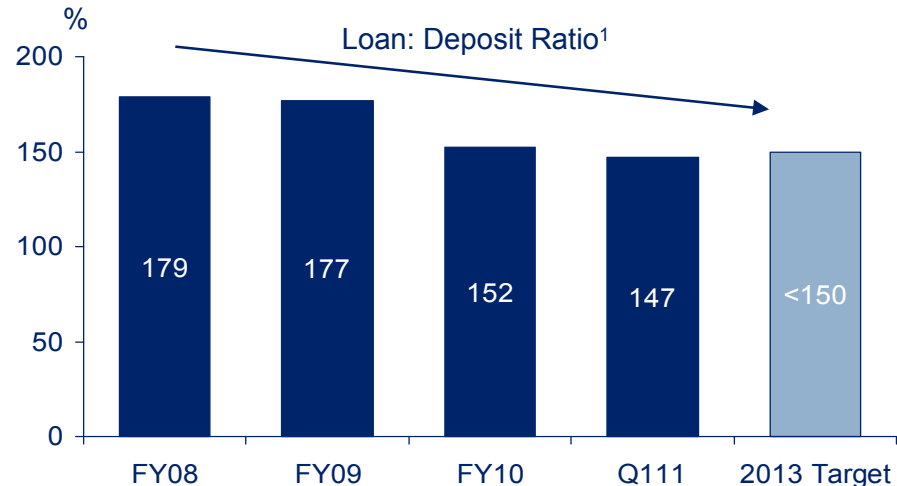


¹ Based on publicly available data gathered by Consumer Intelligence on a like-for-like basis. ² Loss ratio represents the modelled claims cost as a proportion of the premium income of each policy sold.

Key points

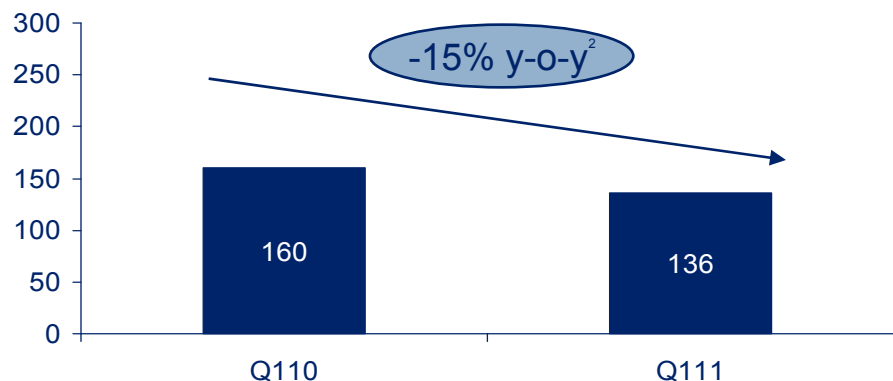
- Loan : Deposit ratio¹ now below 150%
- Franchise intact, 3% increase in deposit base q-o-q
- Net gainer in customer numbers across footprint
- Ongoing cost re-engineering delivering results, costs down 15% y-o-y
- Long-term outlook for Ireland remains favourable:
 - Positive demographics
 - Strong export markets
 - Improving fiscal environment

Significantly improved balance sheet

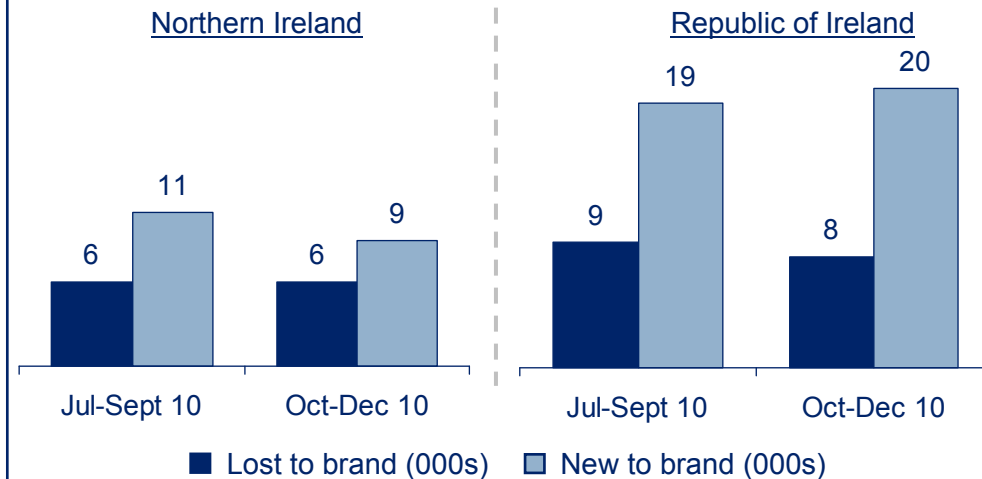


Cost re-engineering delivering results

Operating expenses, £m



Attracting new customers across the footprint

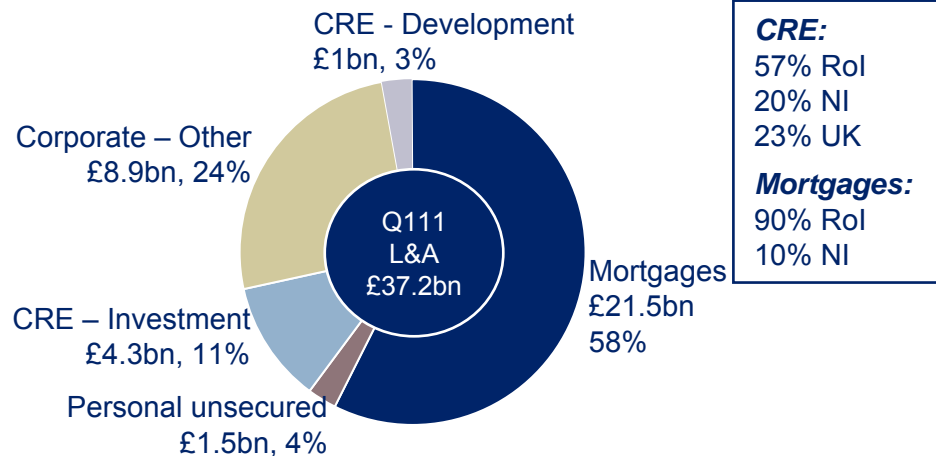


¹ Not adjusted for transfers between Ulster Core and Non-Core. ² Q111 vs Q110.

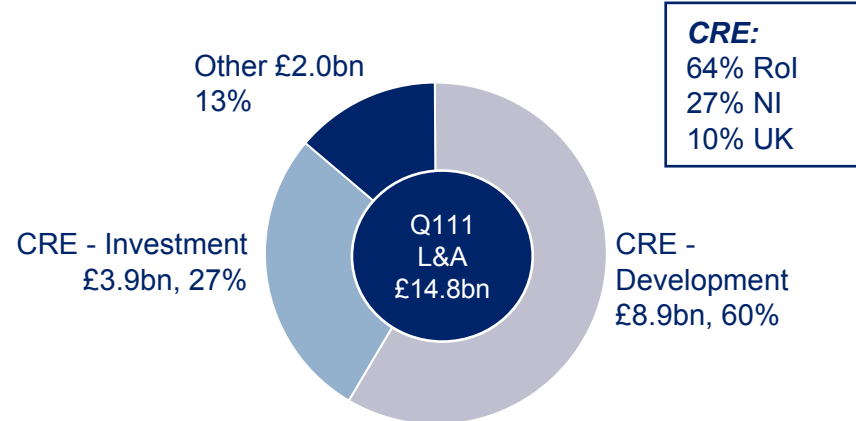
Ulster Bank: Asset deep dive



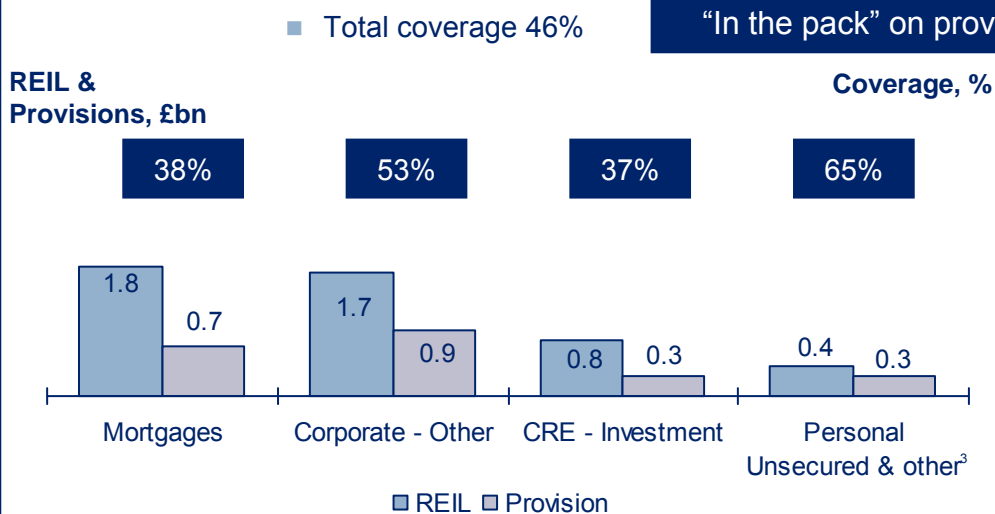
Ulster Bank – Core gross L&A, £37.2bn, (-4% y-o-y)



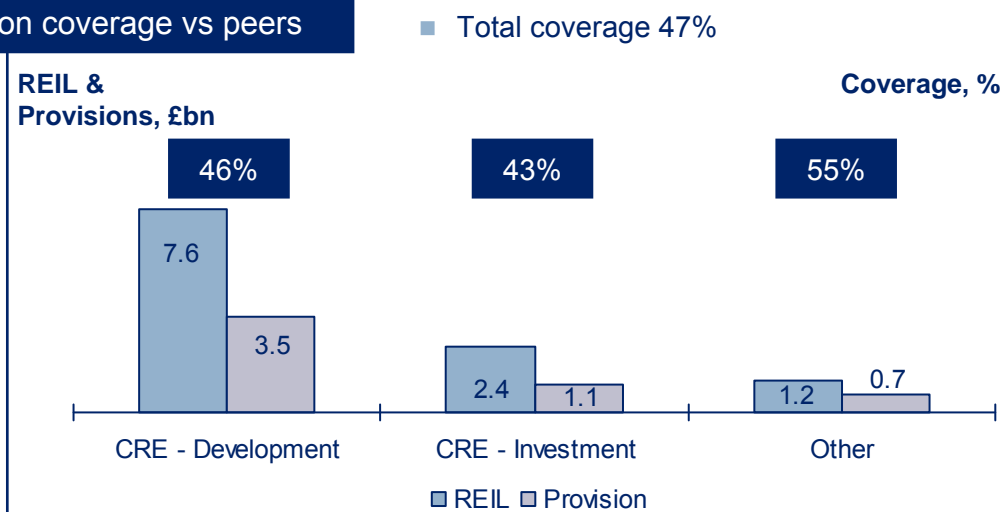
Ulster Bank – Non-Core gross L&A¹, £14.8bn, (-6% y-o-y)



Ulster Bank – Core REIL, Provisions & Coverage²



Ulster Bank – Non-Core REIL, Provisions & Coverage²



¹ Excludes EMEA L&A of £0.5bn. ² Provisions as a % of REIL. ³ Includes Core CRE Development lending REIL of £210m and provisions of £99m.

The RBS Vision

Business Progress

Core RBS: Driving Future Value

Achieving our targets

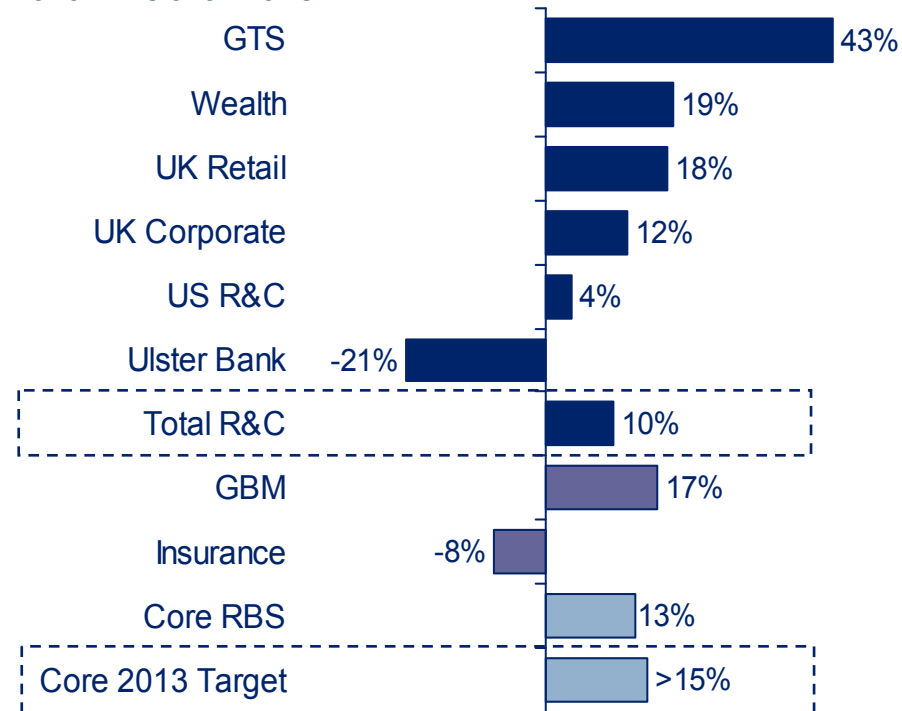
Summary & Outlook

Pathway to achieve >15% RoE¹



Economic recovery drives R&C RoE higher

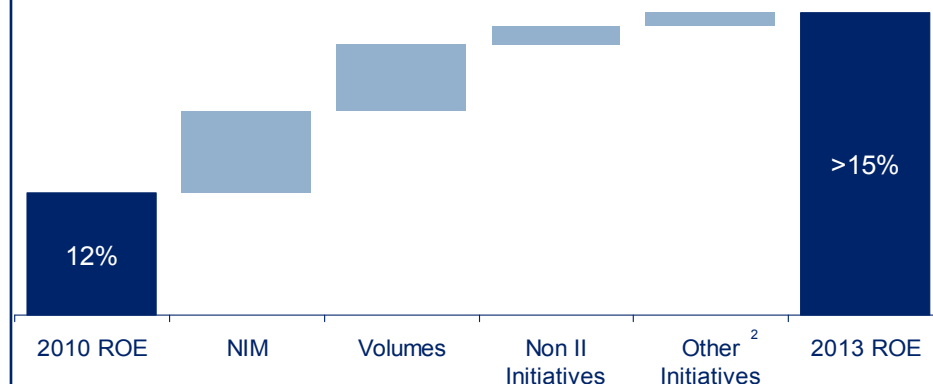
2010 Divisional RoEs



- RoE targets are central to the strategic plan
- Pathways established to return Core to >15% RoE
 - Drive momentum: UK Retail, UK Corp, GTS, Wealth
 - Maintain resilience: GBM
 - Turnarounds: US R&C, Ulster and RBS Insurance
- Basel III and ICB impacts still to be fully quantified

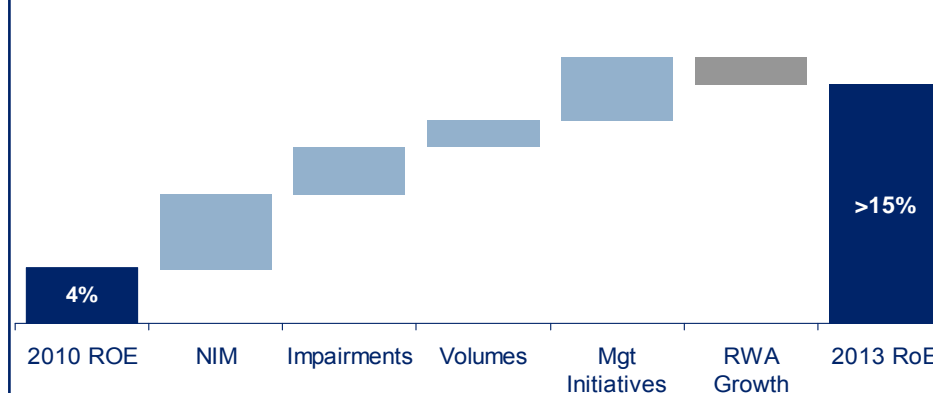
Indicative walk-back – UK Corporate

Indicative ROE walk-back 2010-2013



Indicative walk-back – US R&C

Indicative ROE walk-back 2010-2013



¹ Return on tangible equity. ² Includes RWA efficiency / pro-cyclicality and cost management.

- Maintain earnings recovery

- Decisions on payments of dividends and coupons on preference shares and hybrid capital instruments in Q212

- Desire to exit the Asset Protection Scheme in Q4 2012

- Consider options for any surplus capital over time:
 - Dividend restoration
 - Repurchase of government shares

Government (UKFI) Investment

	Shares (m)	Total Investment (£m)	Investment per Share (p)
Ordinary Shares ¹	39,645	20,027	50.5p
B Shares	51,000	25,500	50.0p
Total investment²	90,645	45,222	49.9p avg

B Shares

- Hold broadly the same rights as the ordinary shares
- Non-voting
- Dividends are fully discretionary³
- Rank pari passu with ordinary shares on winding up / liquidation
- Superior dividend rights attached to the Dividend Access Share³ fall away once the ordinary share price is equal to or over 65p for 20 days⁴
- Convertible into Ordinary Shares at the Government's option⁵

- Government expected to sell-down over time; seeking to maximise value
- Increases the level of free float
- Improves the investment case
- Sell-down builds public confidence that RBS support will be profitably repaid

¹ Adjusted to take account of around £270m of accrued dividends and redemption premiums received on conversion of preference shares

² Includes £305m of fees paid to UK Government. Excluding this fee, the average investment per share is 50.2p.

³ Separate Dividend Access Share provides enhanced discretionary dividend rights of the greater of i) 7% of the £25.5bn and ii) 250% of the dividend paid on one Ordinary Share multiplied by the number of B Shares issued to the UK Government

⁴ Twenty or more dealing days in a period of 30 consecutive dealing days

⁵ Subject to 75% cap of ordinary shares. No conversion without EC consent if ordinary price less than 50p.

The RBS Vision

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A clear plan for the future



Top tier market franchises	Leading positions in our customer businesses
	Strong, predictable and resilient business performance
Balanced portfolio	Complementary portfolio with clear cohesion logic and synergies
	Balanced by geography, growth, risk profile and business cycle
Solid profitability and attractive return potential	Targeting RoE 15%+ on a strong equity base
	Attractive and sustainable income characteristics
Low volatility underpinned by strong balance sheet	Clean balance sheet with a CT1 in line with peers
	Criteria for standalone AA category rating met
Standalone strength and solid foundations	Proven management track record, positive disciplines well established
	Orderly UK Government stake sell down to be commenced
Investor friendly	Transparent, responsive communication with few negative surprises
	Clearly articulated strategy with evidence of it working

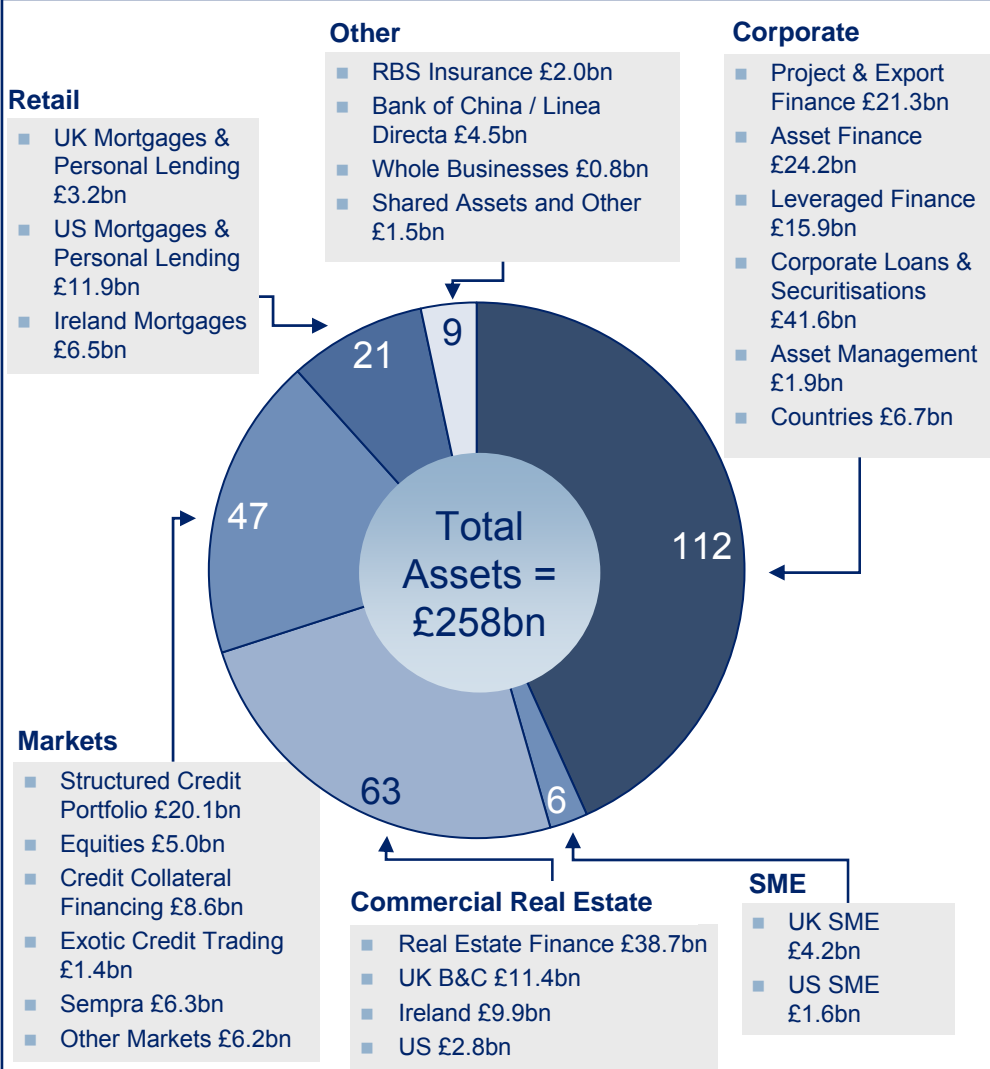
Questions?



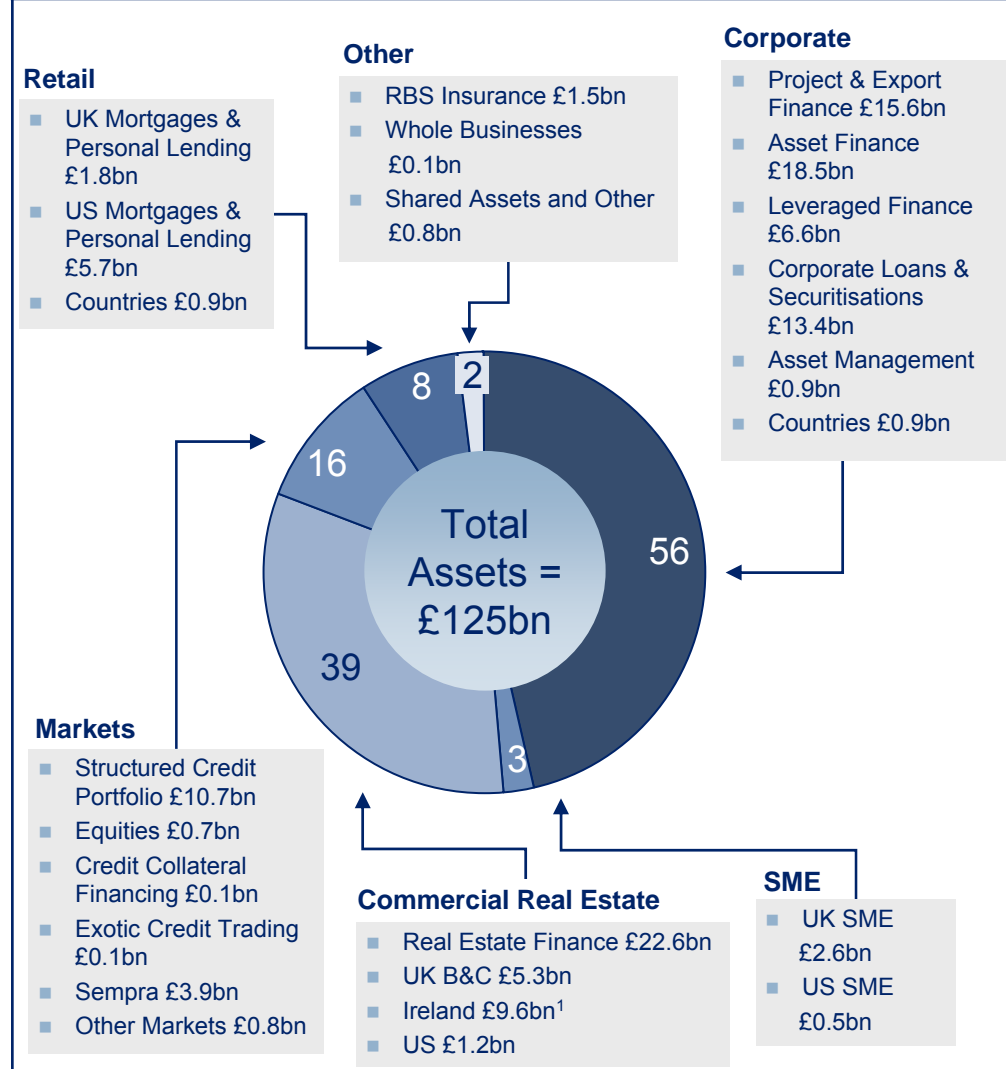
Appendix

Non-Core Asset Class Composition Changes

2008 Year-End funded assets



Q1 2011 funded assets



¹ Affected by the replacement of Irish Mortgages with Irish Commercial Real Estate announced at H1 2010 results. As at 30 June 2010 the CRE portfolio transferred was £5.0bn.