



The Royal Bank of Scotland Group

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Make it happen



Sir Tom McKillop
Chairman

- Unprecedented dislocation in financial markets
- Comprehensive measures outlined by HMT to stabilise UK financial system
 - Liquidity and funding support
 - Support for banks to raise new capital
- Decisive actions taken to secure a stronger future for the Group
- Capital raising
 - £15 billion ordinary share issuance
 - £5 billion preference share issuance

- Capital raising will place the Group among the best capitalised banks in Europe
 - Well positioned to absorb impact of economic downturn
 - Defend and grow core franchises
 - Support risk reduction and Group restructuring initiatives
- Management and Board changes
 - Stephen Hester appointed Group Chief Executive
 - John Hourican appointed CEO, Global Banking & Markets
 - 3 new non-executive directors to be appointed by RBS
- Strategic review of Group to be undertaken
 - Iterative process over six months

Make it happen



Stephen Hester

Group Chief Executive Designate

- Embarking on new task with enthusiasm and confidence
- High level of support from new colleagues
 - RBS is embracing change
- One purpose, one focus: To rebuild the RBS success story
 - Shareholder value
 - Customer support
 - Employee pride
- The Journey
 - Tough action to allow the real RBS to be seen and to thrive
 - Difficult near-term news flow as market and economic conditions take their toll

Today's Agenda

- Financial Update
 - Guy Whittaker

- The Future
 - Stephen Hester

***RBS has been and can be a world class financial institution.
That is our goal.***

Make it happen



Guy Whittaker
Group Finance Director

9 Months to 30 September 2008

- Group underlying income stable
- Costs flat
- Pre-impairment profit up 7%
- Post-impairment profit down 8%

- Q3 credit market write-downs £206 million (after IAS reclassification)

- 30 September 2008 pro-forma capital ratios
 - Core Tier 1 7.9%
 - Tier 1 11.6%

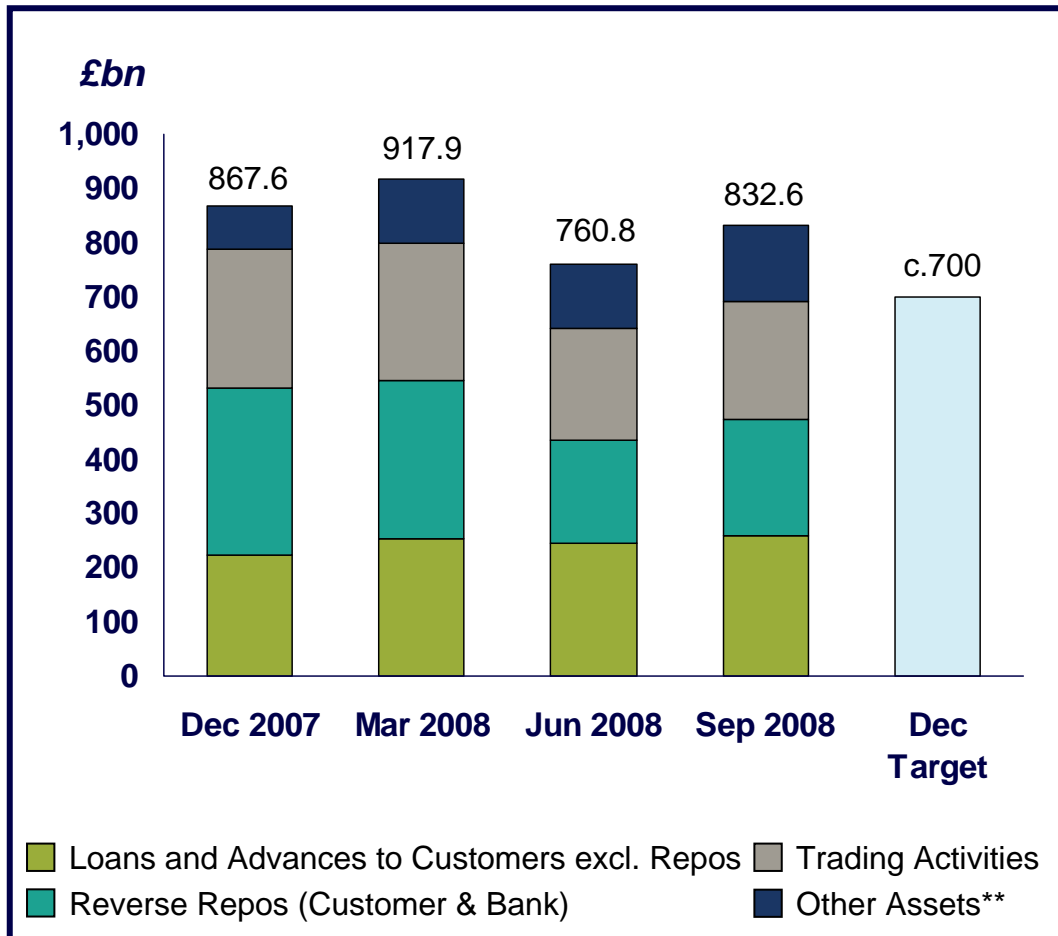
Divisional Performance

- Regional Markets:
 - UK: continued income growth, but slowing
 - US: modest income growth
 - Europe, Asia: income growth slowing
 - Pre-impairment profit across regions broadly stable
 - Economic weakness leading to marked rise in impairments
- GTS performing strongly
- RBS Insurance performing well
- Manufacturing costs in line with 1H08 trends

- Global Banking & Markets:
 - Good performance in many customer and flow businesses
 - Particularly strong in rates and currencies
 - Origination volumes low in equities and debt
 - Specific market dislocation events cost c.£0.7bn in September, and c.£1bn since
 - YTD underlying pre-impairment profit 11% lower
 - Impairment losses rising in 3Q08, c.50% above 1H08 run rate
 - Small underlying profit in 3Q08

GBM Balance sheet update

GBM Third Party Assets*



Key Messages

- 3Q08 key drivers:
 - Reverse Repos +£27bn
 - Settlement balances +£20bn
 - FX movements significant factor
- 3Q08 RWAs +£35bn:
 - Expiry of risk-mitigation transactions +£17bn
 - FX +£7bn

* Third party assets excludes derivatives

** Other Assets includes Cash at Central Bank, L&A Banks excl. Reverse Repos, Deals Pending Settlement, Tangible Assets Slide 13

Group Credit Quality

	<i>1H08</i>	<i>3Q08ytd</i>
Loans & Advances to Customers	£609.1bn	£637.5bn
NPL + PPL	£9.0bn	£11.0bn
NPL + PPL % of Loans & Advances	1.47%	1.72%
Annualised Impairment Charge % of L&A	0.46%	0.51%
Provision coverage of NPL + PPL	56%	51%

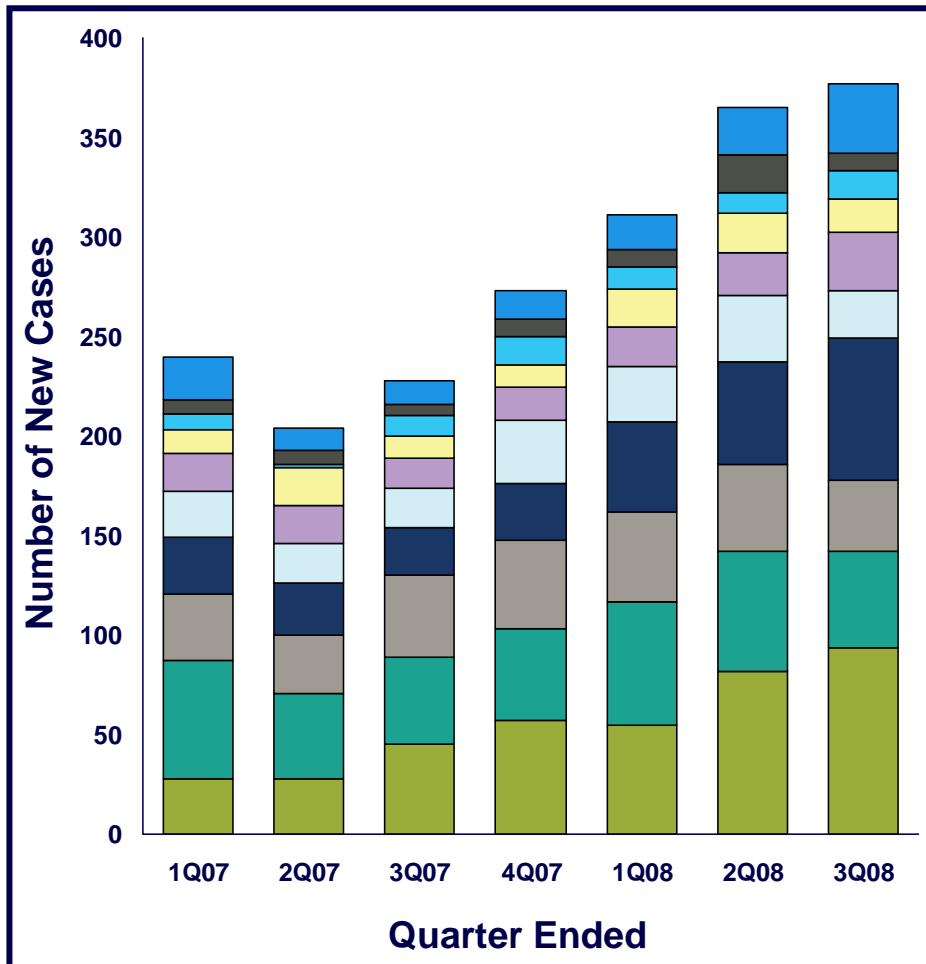
Key Messages

- Increase in L&A driven by FX movements (c.60% of increase)
- Weakening economy drives NPLs and impairments in most regions
- Provision coverage falling as more problem loans highly collateralised

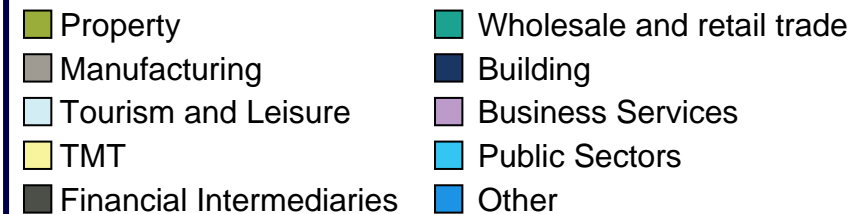
*Gross loans and advances to customers excluding reverse repurchase agreements and stock borrowing
Impairment charge calculation excludes impairments from available-for-sale securities*

Corporate Credit Trends

Transfers into corporate restructuring unit



- Steady increase in transfers from low base in 2Q07
- Cases spread by sector and geography
- New cases in 3Q08: 377 (3Q07: 228)
- Cautious outlook for 2009



Credit Market Write-downs

30 September 2008 Exposures and Write-downs

<i>£bn</i>	<i>Net current exposure</i>	<i>Net Average Price (%)</i>	<i>Write-downs 3Q08¹</i>	<i>Write-downs 1H08¹</i>
ABS CDOs	2.2	37	-	(1.9)
Monolines	3.4	n/a	(0.3)	(2.1)
US Residential Mortgages	1.1	63	(0.2)	(1.0)
US Commercial Mortgages	1.7	87	-	(0.1)
Leveraged finance	3.9	91	-	(0.9)
CLOs	0.8	80	(0.1)	(0.1)
CDS hedging			0.4	0.2
Total write-downs net of CDS hedging			(0.2)	(5.9)

Key Messages

- ABX stable in 3Q08
- Monoline CVA increases
- RMBS, Lev Fin and CLOs balances declining
- IAS re-classification reduced impact on operating profit
- Further write-downs likely in 4Q08

(1) Write-downs before tax.

Detailed definitions in RBS interim company announcement.

Impact of IAS 39 Re-classification

Impact on 3Q08

	£bn
Income	1.4
Impairment losses	(0.2)
Profit before tax	1.2
MTM charge to equity	(0.7)

Balance Sheet re-classification

- £14bn of assets from held-for-trading to loans and receivables
 - Lev Fin £3.7bn
 - Corporate £5.8bn
 - Debt Securities £4.6bn
- £10bn of debt securities from held-for-trading to available-for-sale
 - RMBS £2.2bn
 - CMBS £0.7bn
 - CLOs £6.9bn

	<i>30 Jun 08</i>	<i>30 Sep 08</i>	<i>30 Sep 08 Pro-forma*</i>
Total RWAs (£bn)	491.7	543.1	543.1
Core Tier 1 ratio	5.7%	5.2%	7.9%
Tier 1 ratio	8.6%	7.9%	11.6%

Key Messages

- Capital raising
 - £15bn ordinary shares
 - £5bn preference shares
- Move from capital rebuild to capital strength
- Ratios towards top end of peer group
- Comfortably above regulatory stress test levels
- Give confidence to investors and customers

* Capital ratios pro-forma for capital raising

Placing and Open Offer timetable

- Record date 31 October 2008
- Announcement/Posting of the circular 4 November 2008
- Ex Entitlement date 10 November 2008
- General Meeting 20 November 2008
- Closing of the Offer 25 November 2008
- Trading in new shares commences 1 December 2008

- Attractive customer franchises producing attractive pre-impairment results
- Economic weakness driving impairments higher
- Market dislocation expected to adversely impact near-term results
- Inherent value of Group's profitable core franchises expected to reassert itself as financial conditions improve

Make it happen



Stephen Hester

Group Chief Executive Designate

The Future

- The Investment Case
- The Risks
- Initial Priorities
- Strategic Biases
- What does success look like?

The Investment Case

- Post strategic review and risk reduction, a powerful group of stable, profitable, market-leading, customer franchises
 - 1H08 underlying Group operating profit £5.1 billion
- Capital ratios at top end of peer group (pro-forma September Tier 1 11.6%)
 - To absorb write-offs and unexpected shocks
 - To retain customer support and confidence
 - Resources to support future development
- Offering price of shares at 65.5p is just 63% of June Tangible NAV – the lowest level since 1990
- A restructuring story with opportunities to shrink or sell weaker operations, to cut costs and to reposition, regaining stakeholder confidence and relative value
- Credible future growth opportunities, once external environment has stabilised, derived from:
 - Existing businesses and market positions
 - Stronger capital base

- Negative and volatile external environment
 - Rising cyclical credit costs
 - Potential for further sizeable one-off write-offs from wholesale shocks
 - Continued liquidity risks and costs
 - Weaker 'BAU' trading
- Potential for restructuring charges, though attractive paybacks if taken
- Uncertainty about timing and costs of balance sheet and risk reduction
- Will take time (c.6 months) to achieve clarity of strategic direction
- Not possible – for any bank - to give high visibility on prospective credit losses or near term earnings in this market environment

Initial Priorities

- Come up to speed fast on people, businesses, risks
- Group-wide strategic review – output Q2 2009
 - Update Feb 09
- Chart path for balance sheet and risk reduction
 - Update Feb 09, including credit outlook
- Review cost base and implement related opportunities
 - Update Feb 09
- Begin process of rebuilding stakeholder confidence based on revised strategy, risk reduction, effective execution, transparency and openness

Strategic Biases

- Rebuild Group around businesses with growth potential and clear competitive advantages
 - Customer-driven franchises, attractive market positions
- Global reach and presence, but selective on specific geographies
- Downsize and exit businesses where risk adjusted ROE prospects poor
- Reduce balance sheet and risk concentrations
- Target capital base sufficient to absorb losses, keep conservative ratios, sustain AA-category ratings, and pay down HMT prefs
- Focus on costs and operational efficiencies to improve performance
- People are key
 - Review bench strength
 - Focus on morale and empowerment

What does success look like?

- Weathering market and economic stresses calmly
- Delivery of attractive shareholder return
- Dividend payments resumed
- Stable credit worthiness – AA ratings category
- Appropriate capital and balance sheet size and risk profile
- Achieving new targets for profit, ROE and growth
- HMT prefs repaid, HMT able to sell any residual shareholding
- Stakeholder support and approval
 - shareholders, customers, employees, Government

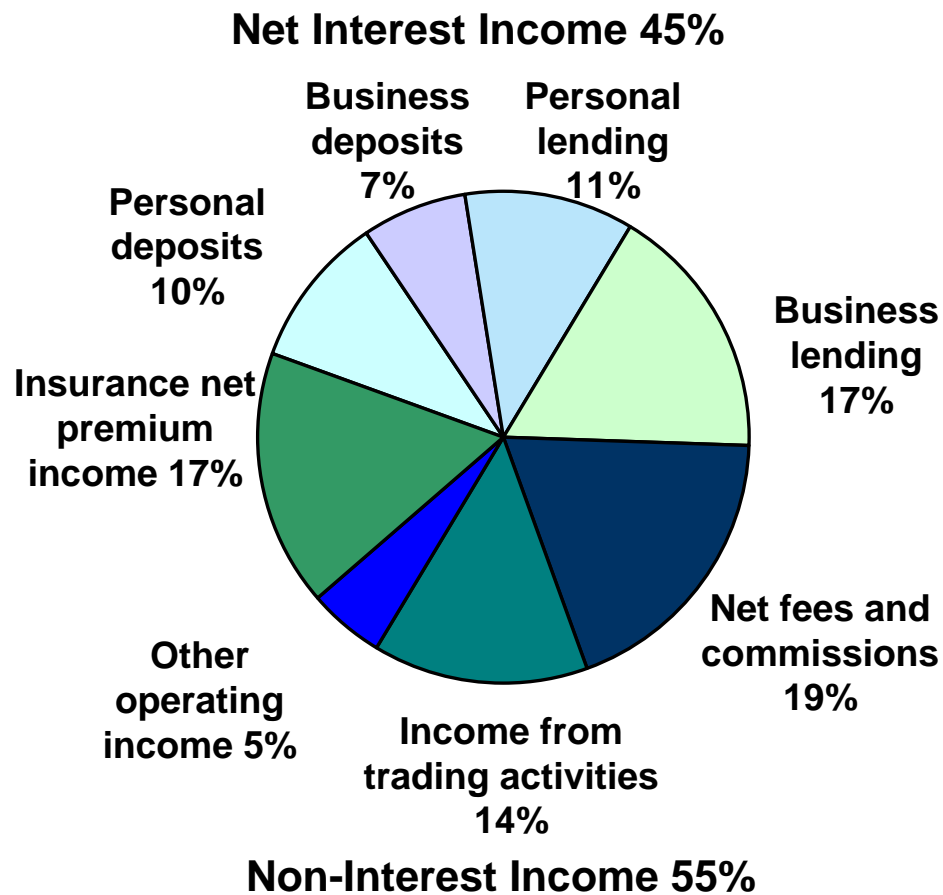
Make it happen



Appendix

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	33,564	16,835	-1
Expenses	16,618	8,285	-1
Ins net claims	4,528	1,927	-20
Pre-Imp profit	12,418	6,623	+6
Imp losses	2,104	1,479	+58
Credit market w/d	(2,387)	(5,925)	n/a
Other items	1,035	90	n/a
Profit/(Loss) before tax	8,962	(691)	n/a

Income 1H08

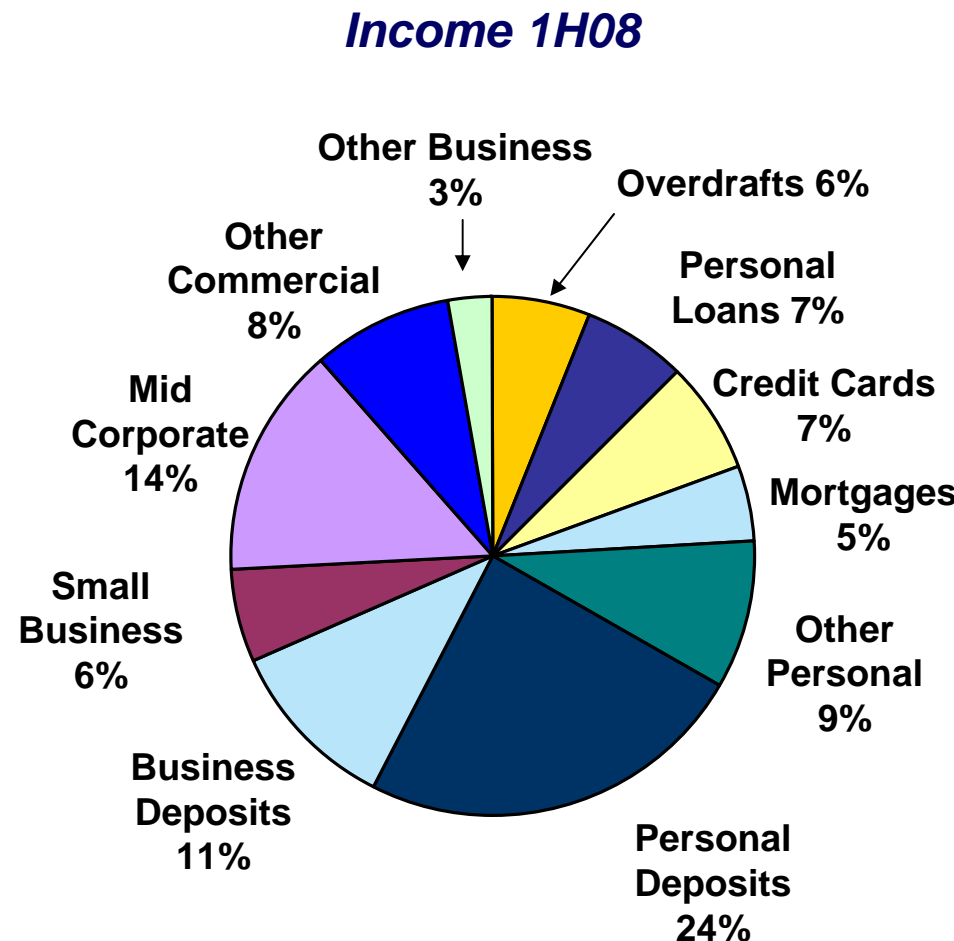


UK Retail & Commercial Banking

Strong, stable and diversified. Will see cyclical rise in credit costs

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	10,584	5,452	+5
Direct expenses	3,009	1,537	+5
Manufacturing	2,144	1,104	+5
Pre-Imp contrib	5,431	2,811	+6
Impairment losses	1,368	694	-2
Operating profit	4,063	2,117	+8

- #1 in key markets
 - personal current accounts
 - private banking
 - SME, corporate and commercial



US Retail & Commercial Banking

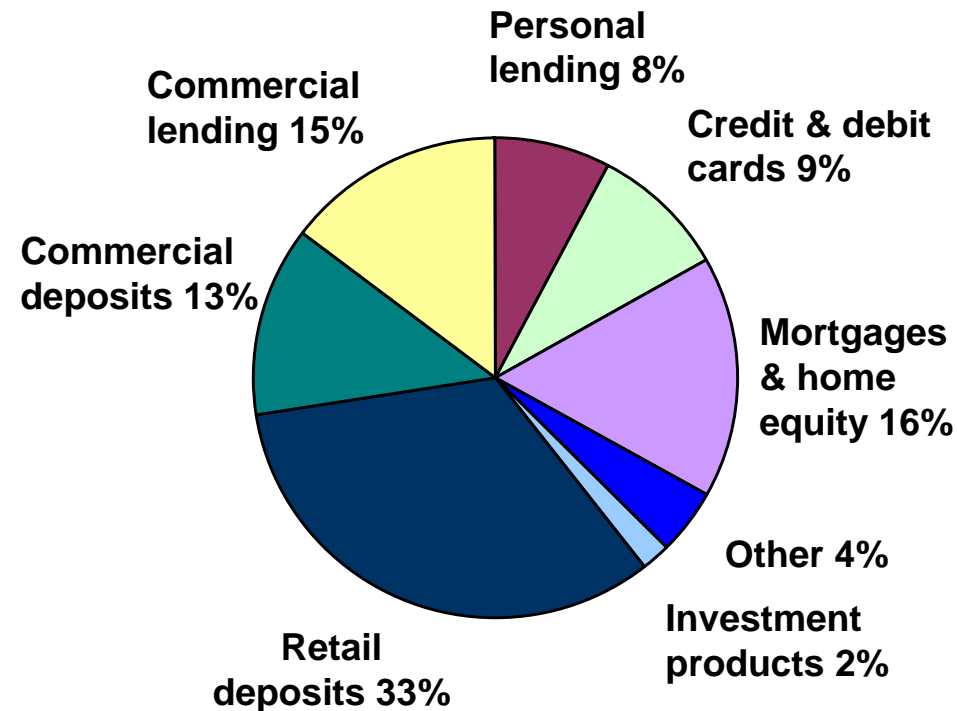
Well positioned and low risk regional franchise

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>\$m</i>	<i>\$m</i>	<i>%</i>
Total income	5,574	2,746	+2
Direct expenses	1,939	980	+1
Manufacturing	642	328	+5
Pre-Imp contrib	2,993	1,438	+2
Impairment – Core	353	388	+311
Impairment - SBO	329	324	+372
Operating profit	2,311	726	-41

Deposit-led franchise

- 10th largest in the US by deposits

Income 1H08

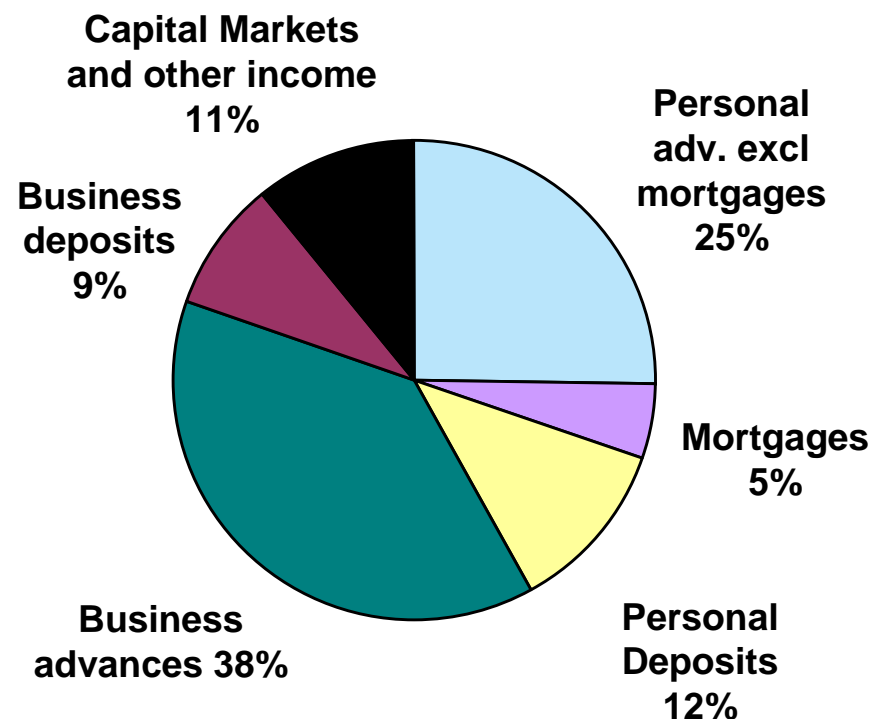


Strong presence in Ireland

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	1,438	805	+19
Direct expenses	504	293	+27
Manufacturing	321	166	+5
Pre-Imp contrib	613	346	+20
Impairment losses	136	96	+43
Operating profit	477	250	+13

- Leading positions across a wide range of retail products

Income 1H08

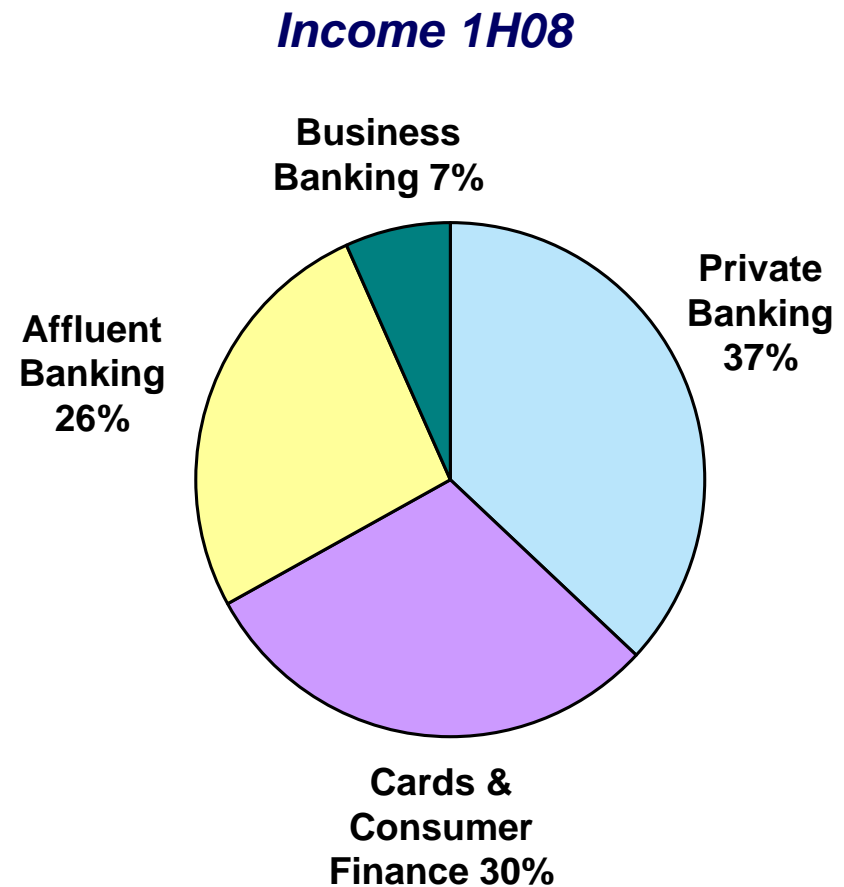


Asia Retail & Commercial Banking

Established presence in growing region

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	680	391	+24
Direct expenses	356	204	+30
Manufacturing	214	110	+5
Pre-Imp contrib	110	77	+45
Impairment losses	119	61	0
Operating profit	(9)	16	n/a

- Acquired broad regional footprint through ABN AMRO
- Focus on selected growth opportunities in key markets

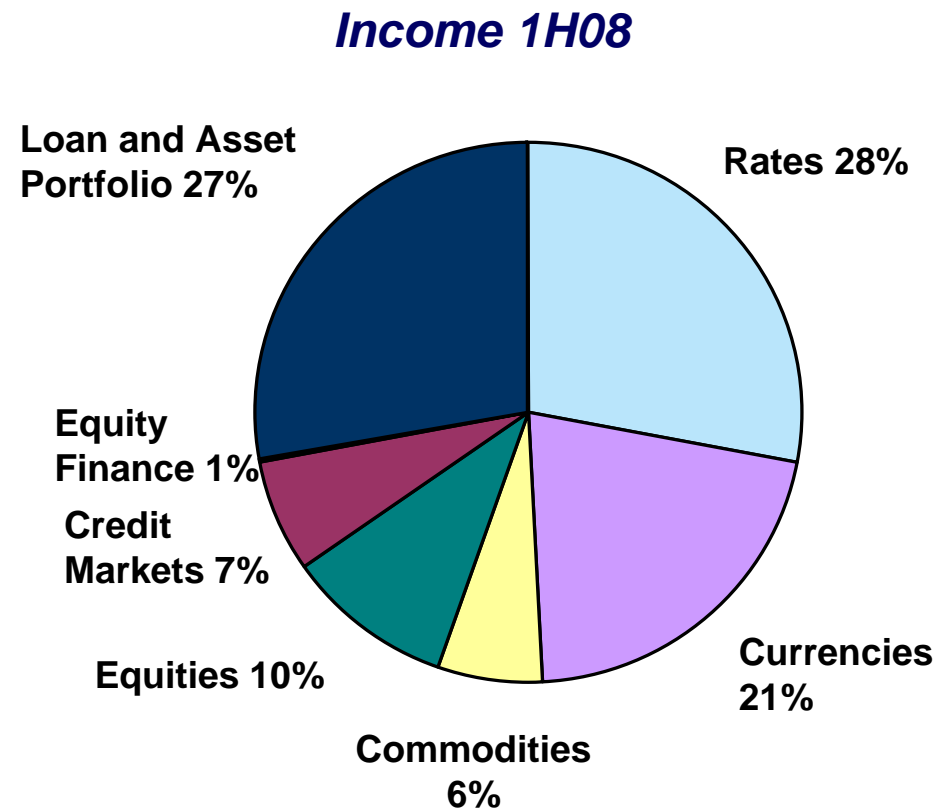


Global Banking & Markets

Attractive global franchise. Deleverage and refocus on customer-led businesses

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	10,916	5,306	-10
Direct expenses	5,789	2,607	-15
Manufacturing	429	221	+5
Pre-Imp contrib	4,698	2,478	-6
Impairment losses	125	294	n/a
Operating profit	4,573	2,184	-17

- Refocusing and restructuring GBM a key management priority
- Reduce balance sheet and risk concentrations



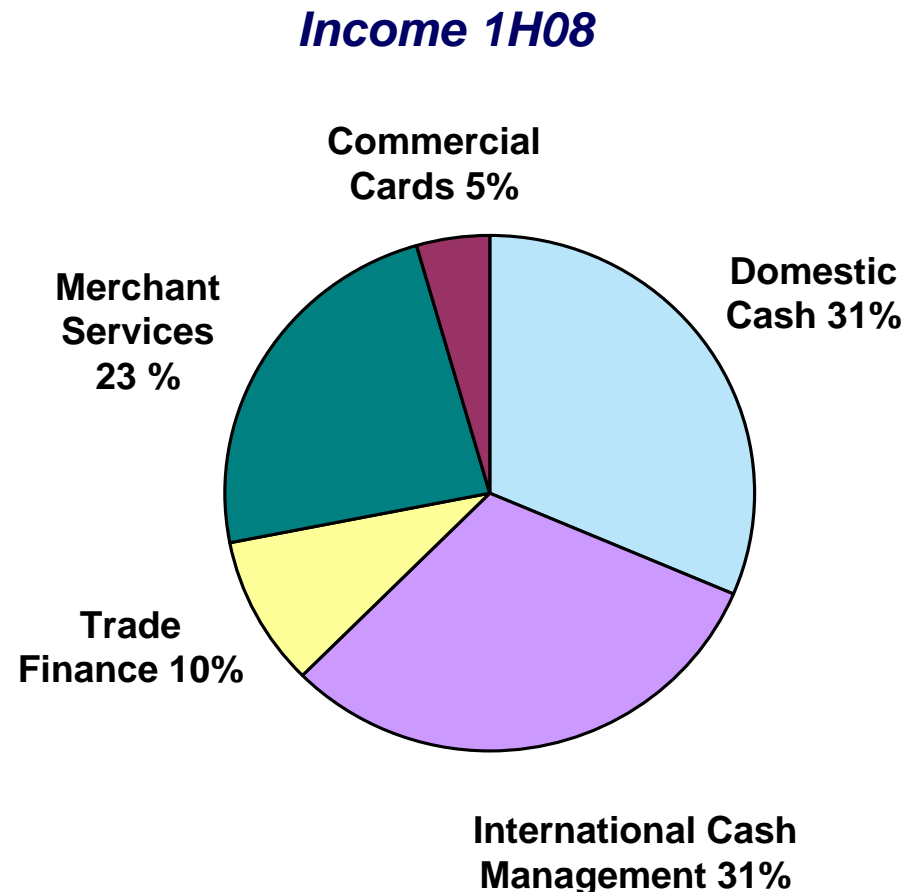
* *Income and operating profit before credit market write-downs and one-off items*

Global Transaction Services

High quality earnings, good growth prospects

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	2,182	1,173	+12
Direct expenses	521	276	+11
Manufacturing	429	221	+5
Pre-Imp contrib	1,232	676	+15
Impairment losses	12	11	+38
Operating profit	1,220	665	+15

- Attractive fundamentals
 - low risk profile
 - high risk-adjusted returns on capital
 - consistent delivery of earnings

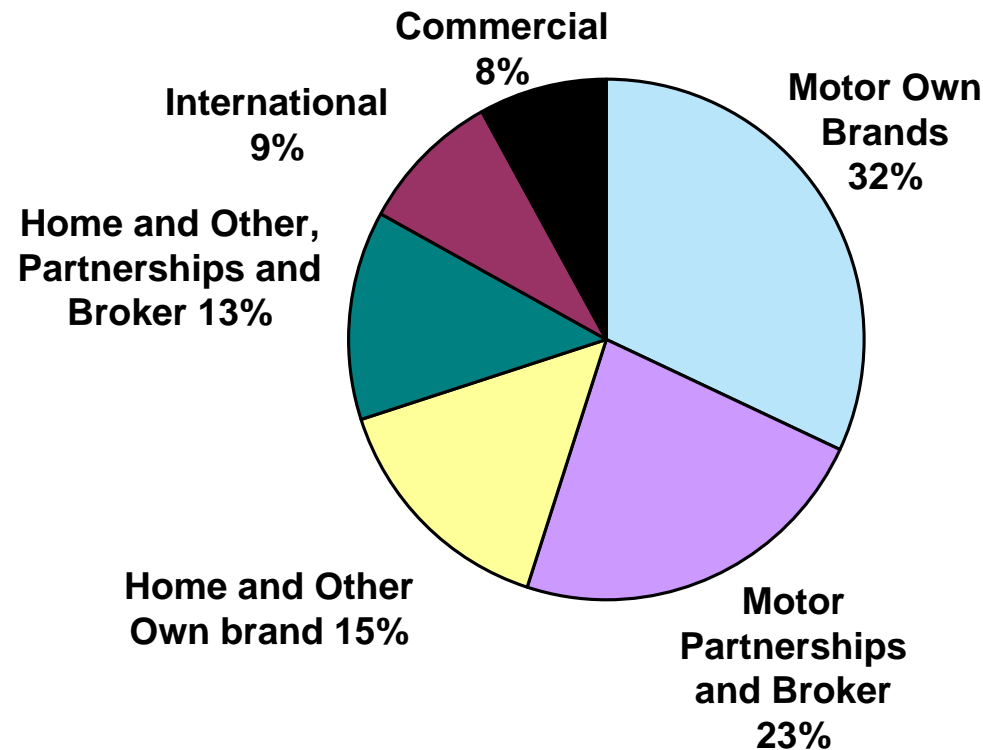


Leading UK non-life insurer

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	5,656	2,786	-2
Direct expenses	741	410	+17
Manufacturing	214	110	+5
Net claims	4,010	1,863	-13
Operating profit	691	403	+56

- Attractive uncorrelated business
- Leading positions in UK Motor, Home and Motor Rescue

Insurance Premium Income 1H08

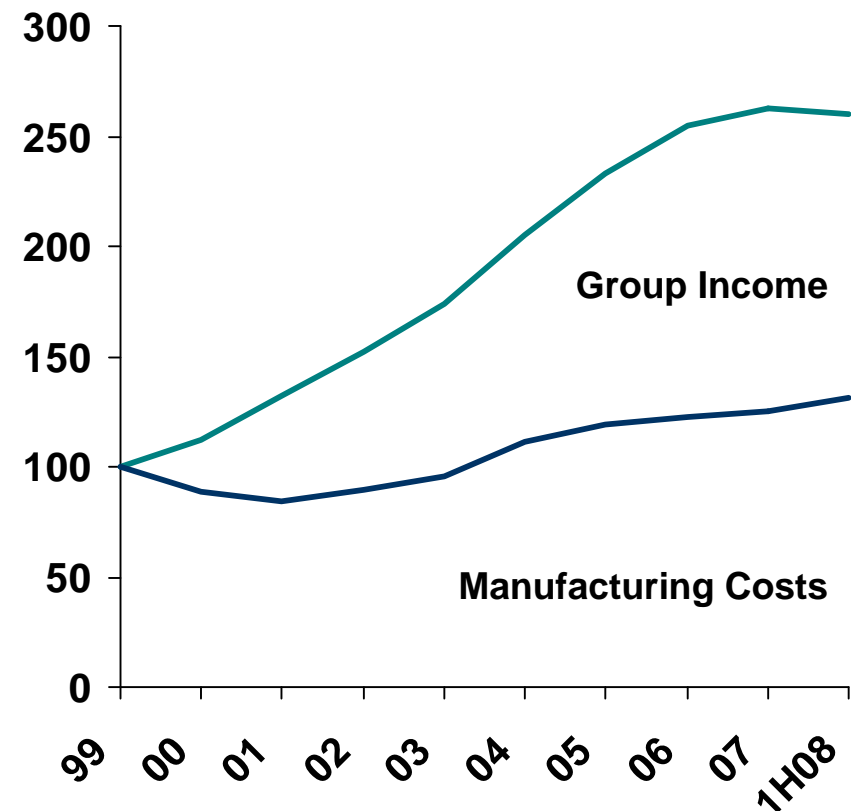


Group Manufacturing

Scope for further efficiency gains

	<i>FY07</i>	<i>1H08</i>	<i>1H08</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>
Gp Technology	1,373	676	+2
Gp Property	1,519	813	+10
Customer Support	1,395	719	+2
Total Costs	4,287	2,208	+5

- Roll out of UK model globally
- Scope for significant additional efficiency improvements from
 - Global hubs
 - IT platform consolidation
 - Property consolidation



1999 = 100

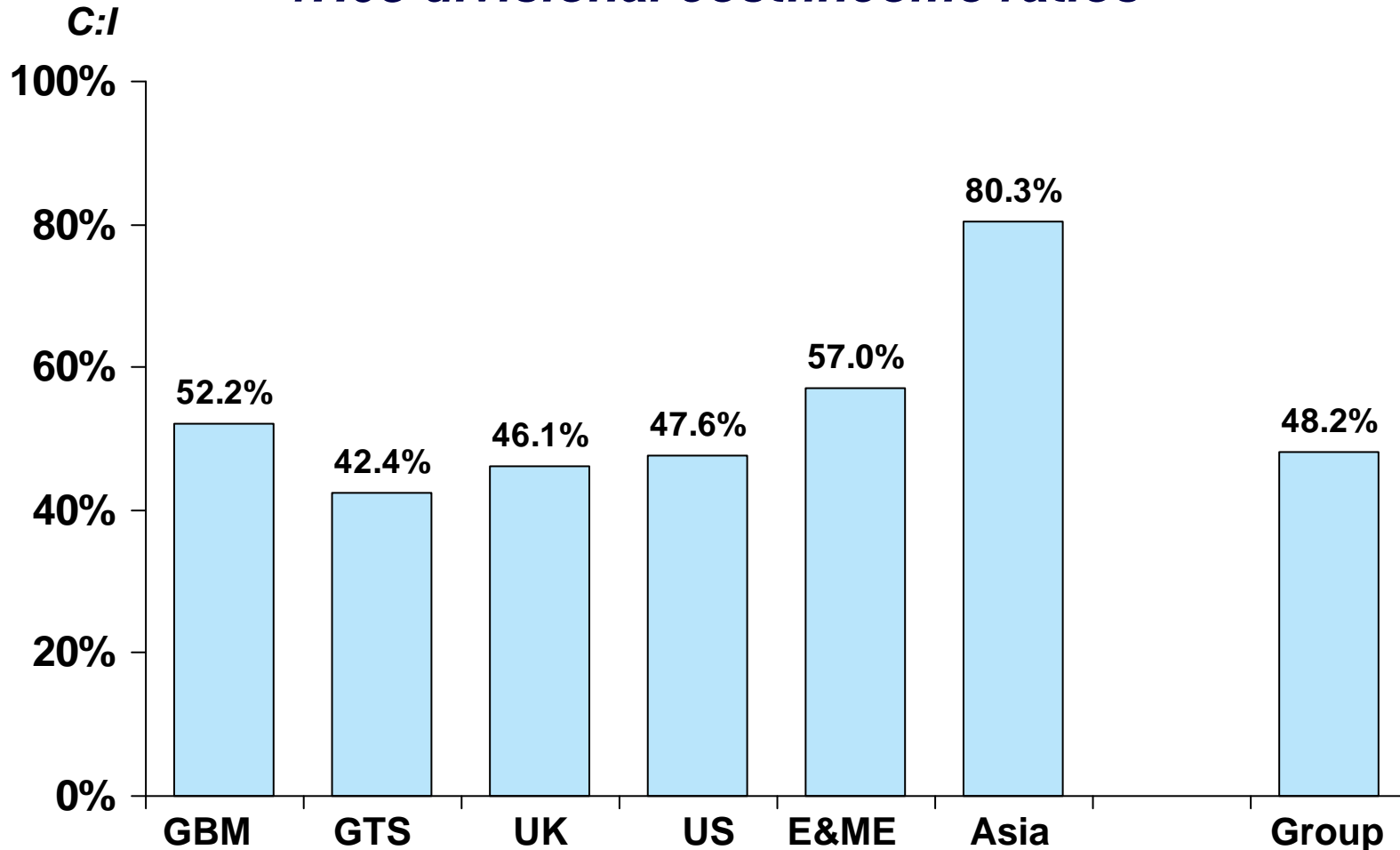
Good historic returns even with higher capital ratios

	<i>Return on Equity</i>
Global Markets	1H08
– Global Banking & Markets	18%
– Global Transaction Services	62%
Regional Markets	
– UK Retail & Commercial Banking	21%
– US Retail & Commercial Banking (\$)	11%
– EME Retail & Commercial Banking	17%
– Asia Retail & Commercial Banking	3%
RBS Insurance	23%
Group	17%

Basis – Underlying operating profit post allocation of manufacturing costs, taxed at blended local rates, e.g. UK 28%, US 35%, Europe 15%. Equity Tier 1 = 8% of June 2008 RWAs plus Basel II expected loss additional provisions. RBS Insurance equity = book value less £800m goodwill.

Divisional Efficiency

1H08 divisional cost:income ratios



Make it happen

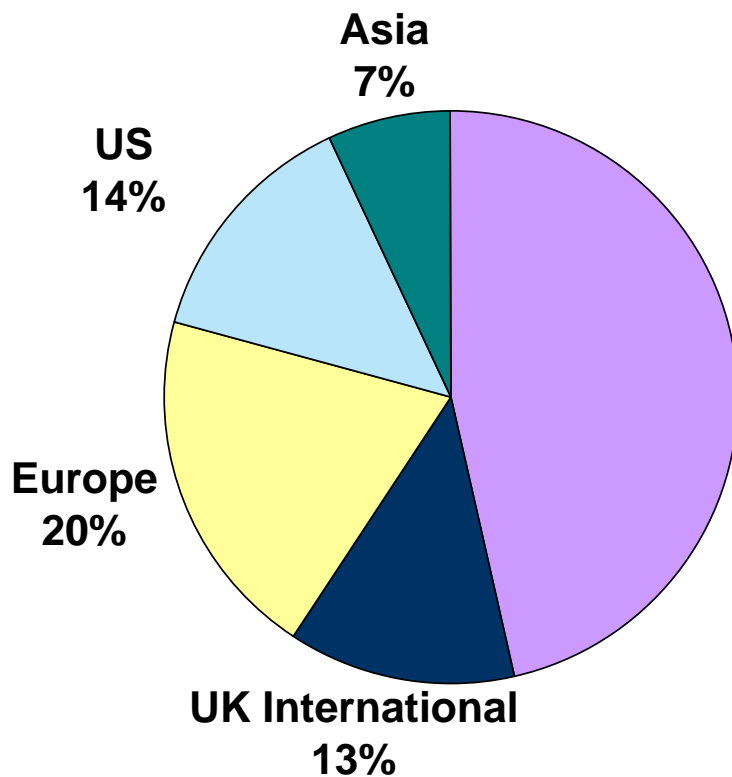


Credit – 1H08

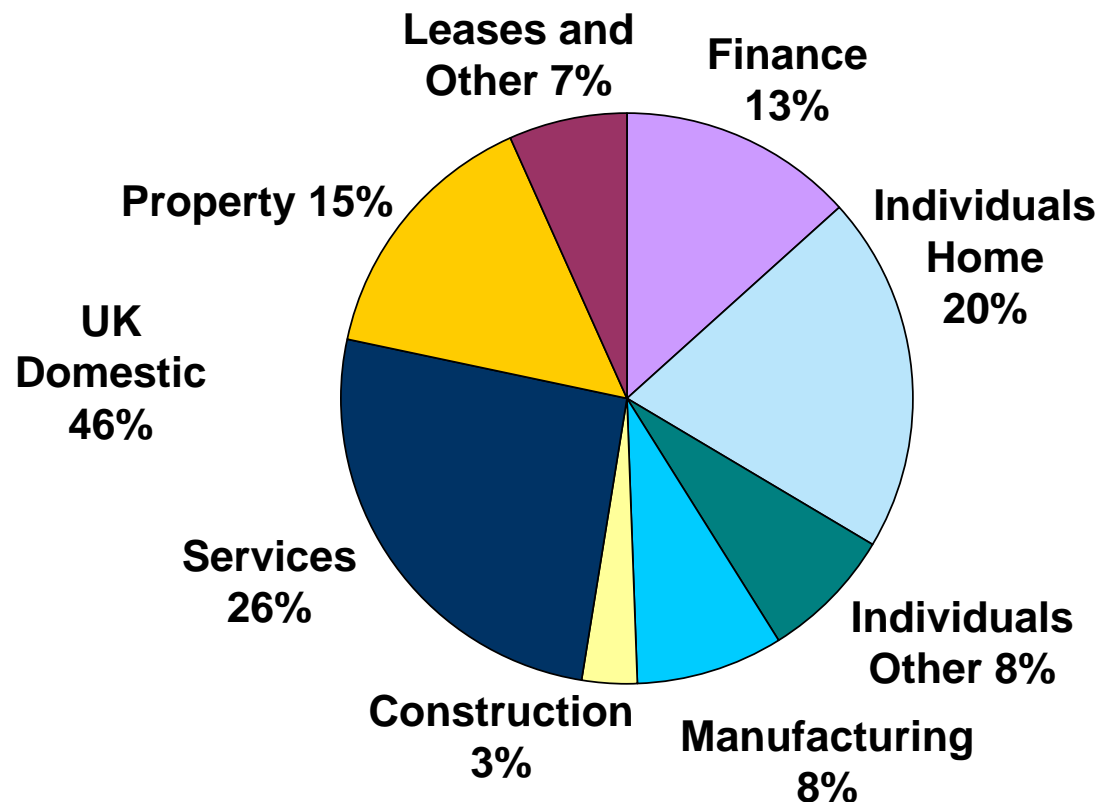
Loans and Advances to Customers

Total Loans and Advances to Customers £609bn

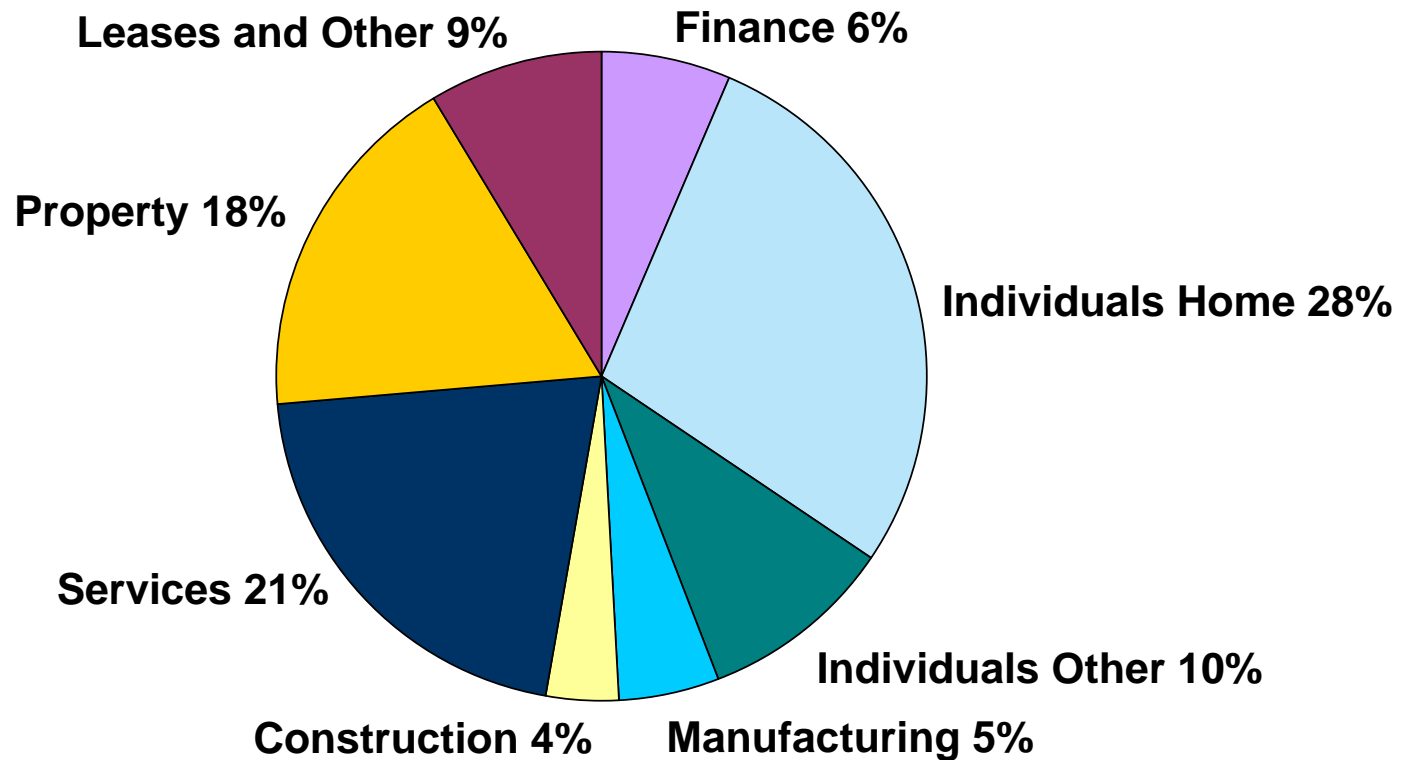
Geography



Sector



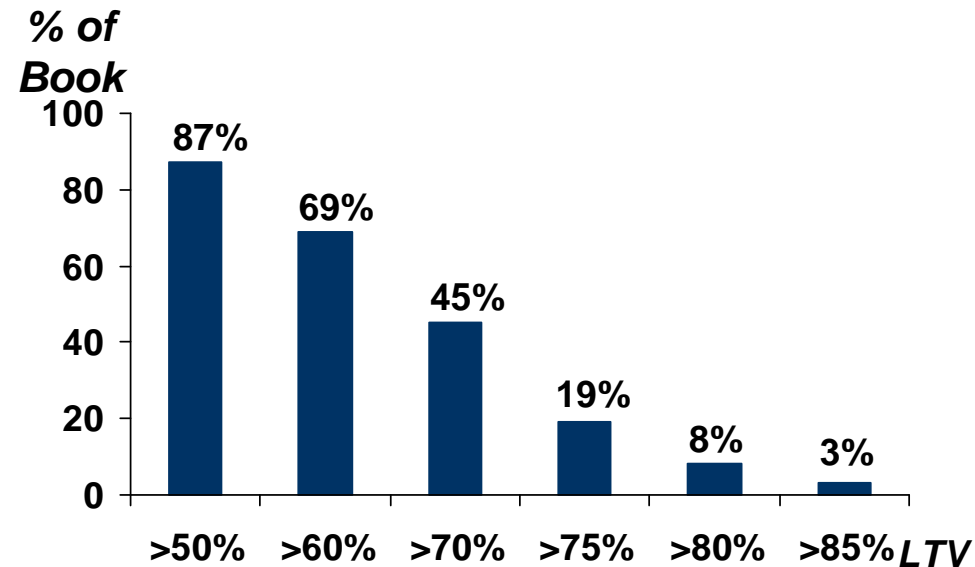
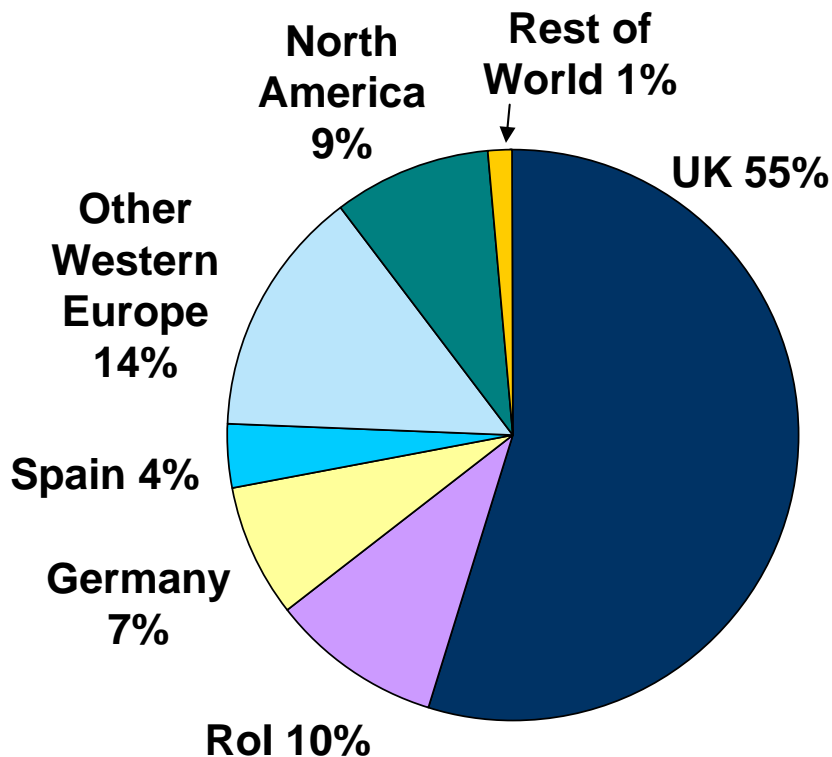
UK Domestic Loans and Advances £282bn



Commercial Property

Commercial Property Portfolio £91bn Diversified by Geography

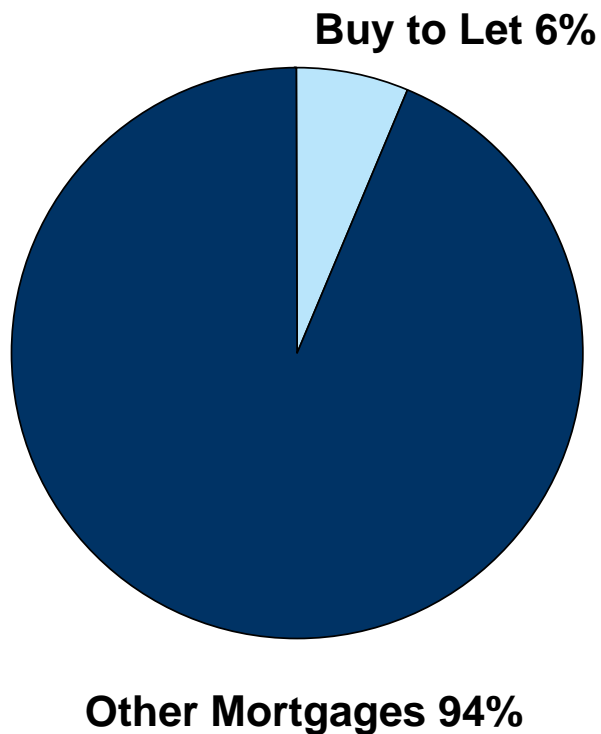
UK Commercial Property £51bn Core Portfolio LTV Distribution



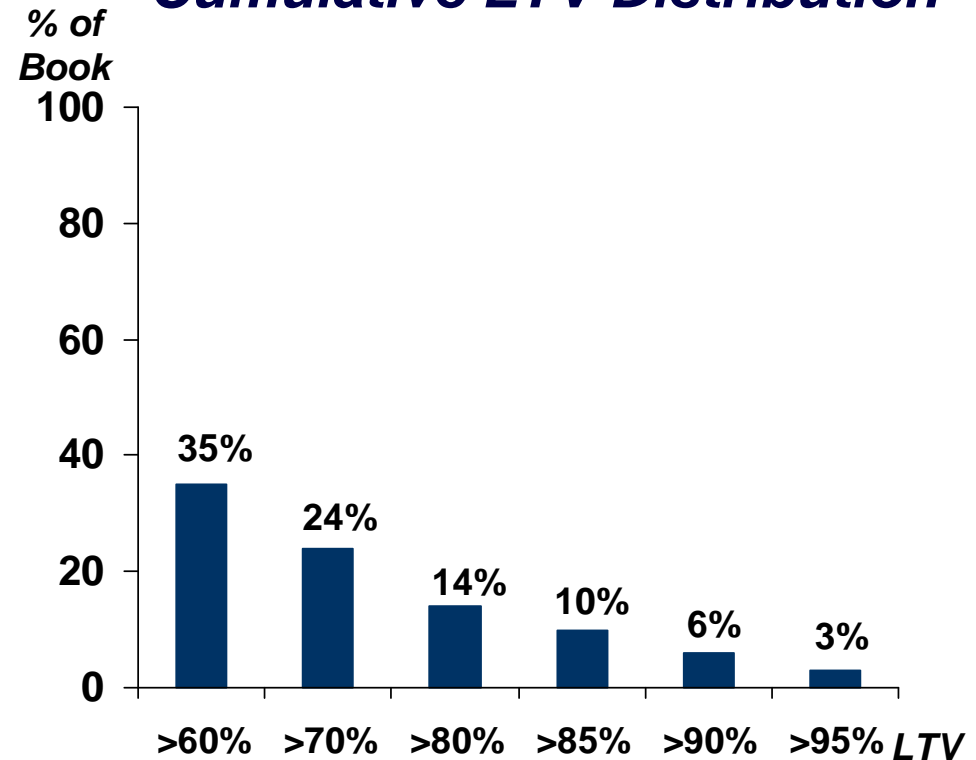
- Average LTV 68%
- 1% speculative
- Well diversified by sector
- Characteristics typical of overall portfolio

UK Retail Mortgages

Total Portfolio £72bn



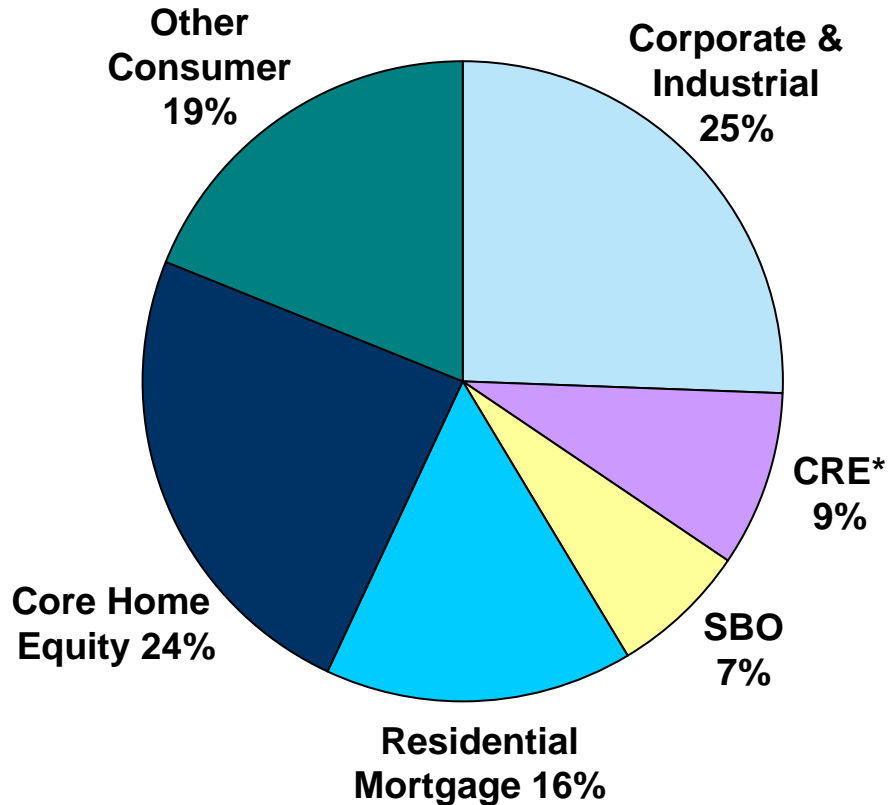
Cumulative LTV Distribution



- Average LTV 49%
- Buy-to-let LTV 56%
- New business LTV 66%

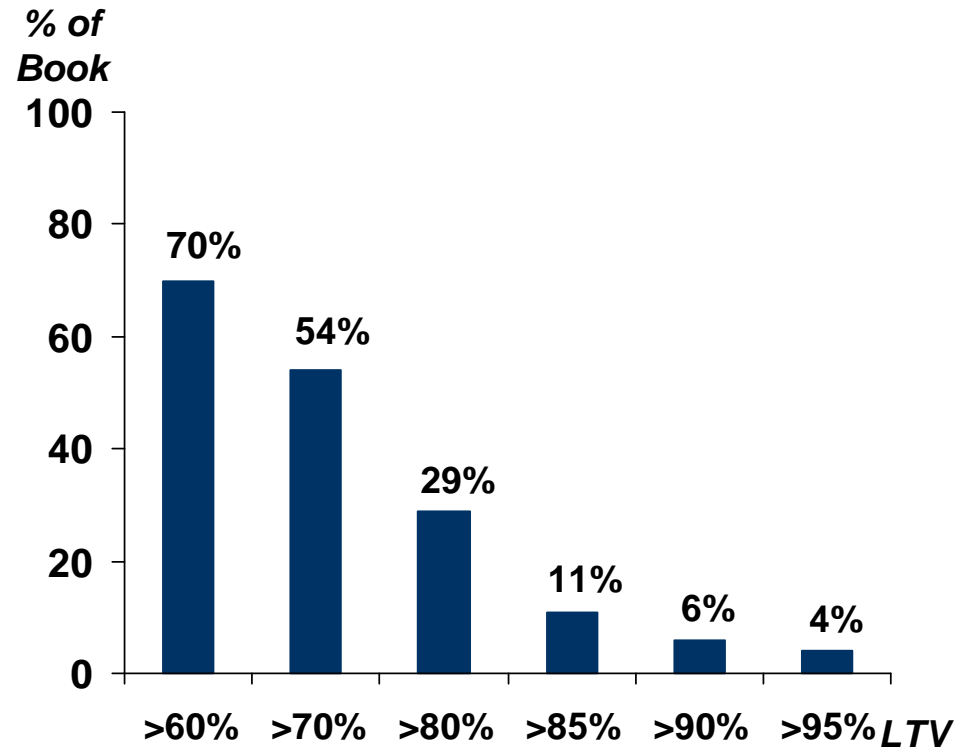
US Retail & Commercial portfolio

Total Portfolio £57bn



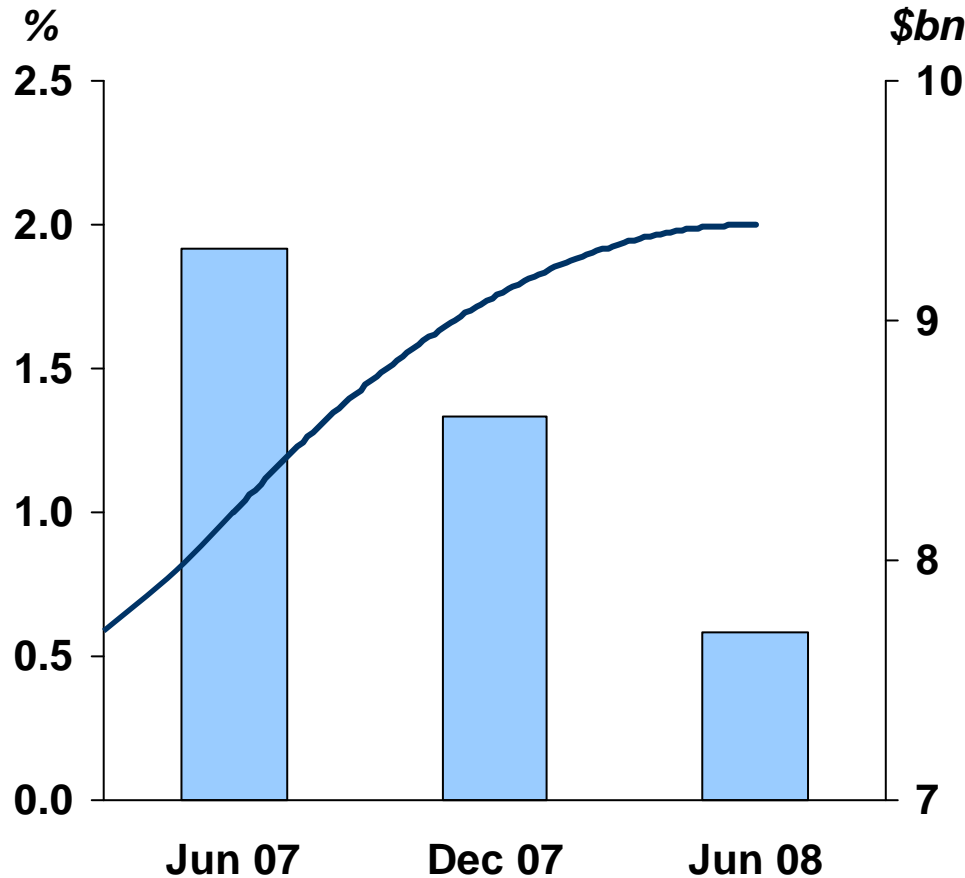
* Commercial Real Estate

Cumulative LTV Distribution Residential Mortgage & Core Home Equity



- Average LTV 64%
- Average FICO 748

US SBO Portfolio



- Book in managed run-off
- Cumulative provisions \$675m
- Cumulative charge-offs \$262m
- Current provisions \$413m
- Reserve 2.7x NPL
- FICO 721

— SBO delinquencies as % of total outstanding loans

■ SBO total outstanding loans



The Royal Bank of Scotland Group