RBS Group

The Royal Bank of Scotland Group

Full Year 2011 Results

23rd February 2012

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, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets, return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; certain ring-fencing proposals; 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 of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

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 full nationalisation of the Group or other resolution procedures under the Banking Act 2009; 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 financial stability of other financial institutions, and the Group’s counterparties and borrowers; the ability to complete restructurings on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the EC State Aid restructuring plan; organisational restructuring, including any adverse consequences of a failure to transfer, or delay in transferring, certain businesses, assets and liabilities from RBS Bank N.V. to RBS plc; the ability to access sufficient funding to meet liquidity needs; the extent of future write-downs and impairment charges caused by depressed asset valuations; the inability to hedge certain risks economically; 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 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; HM Treasury exercising influence over the operations of the Group; 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; impairments of goodwill; pension fund shortfalls; litigation and regulatory investigations; general operational risks; insurance claims; reputational risk; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the recommendations made by the UK Independent Commission on Banking and their potential implications; the participation of the Group in the APS and the effect of the APS on the Group’s financial and capital position; the ability to access the contingent capital arrangements with HM Treasury; 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.

Agenda

Philip Hampton	Introduction
Stephen Hester	Business & Strategy Review
Bruce Van Saun	Finance & Risk Review
Questions	

Business & Strategy Review

Stephen Hester, Group Chief Executive

Agenda

Business and financial highlights 2011

2009-2011 Report Card

Our response to challenges

Updating our targets

Business and financial highlights 2011

RBS 2011 - Prioritising sustainable strength in a challenging environment

Stronger balance sheet

- Group funded assets below £1trn at £977bn, down £58bn vs. Q311
- Group LDR 108%, vs. 118% at FY10, Core 94%
- CT1 10.6%, stable y-o-y while absorbing c80bps of CRD3 and APS relief reduction

Non–Core, excellent progress

- Funded assets £94bn, down £44bn vs. FY10
- Impairments down £1.6bn on last year with operating loss down £1.3bn
- Strong result for asset sales despite more difficult market environment
- Substantial de-risking of market portfolio also accomplished

Core Retail & Commercial Bank produced strong FY11 performance

- R&C ex. Ulster operating profit £4.9bn, up 9% vs. FY10
- R&C ex. Ulster FY11 ROE of 17%

GBM - Profits down though still substantial

- FY11 RoE of 8%, £1.6bn of operating profit; Performance comparable with peers
- Good balance sheet reduction, progress made towards new c.£300bn funded asset target

Financial highlights 2011

Core Business:

	FY11	
Operating profit[1]	£6.1bn	R&C underlying[2] up 10%. Strong UK Retail performance
Return on Equity[3]	10.5%	R&C 11.3%, GBM 7.7%, Insurance 10.3%
R&C NIM	3.21% (+7bps)	Asset re-pricing outweighs funding cost increase in 2011
Cost : income ratio[1,4]	60%	Cost programme delivers £3bn of savings, more to come
Impairments	£3.5bn	Down 7% y-o-y, primarily UK Retail and US R&C driven
Loan : deposit ratio[5]	94%	Firmly ahead of target, deposit growth of 2%

Group Progress:

	FY11	
Operating profit	£1.9bn	Underlying[2] up 11% vs 2010 driven by UK Retail, Insurance and Non-Core
Non-Core funded assets	£94bn	Down £44bn, £22bn from asset sales
Capital strength	10.6%	Risk reduction offsets CRD3 uplift, APS reduction and clean-up losses
Pre-tax loss	£0.8bn	£6.1bn Core Bank operating profit, £8.4bn clean-up costs taken[6]

[1] Excluding Fair Value of Own Debt (FVoD). [2] Reported operating profit excluding 2010 disposal of GMS. [3] Equity allocated based on share of Group tangible equity. [4] Adjusted C:I ratio net of insurance claims. [5] Net of provisions.
[6] Includes Non-Core losses (£4.2bn), PPI (£0.9bn), Sovereign debt impairment (£1.1bn) and associated interest rate hedge adjustment (£0.2bn), Restructuring costs (1.1bn), APS charges (£0.9bn), Strategic Disposals (£0.1bn),

RBS Group

2009-2011 Report Card

In 2009 RBS adopted a 5 year Recovery Plan

Priorities

- To **serve customers well**
- To restore the Bank to a **sustainable and conservative risk profile**
- To **rebuild value** for all shareholders

These priorities are interconnected and mutually supporting

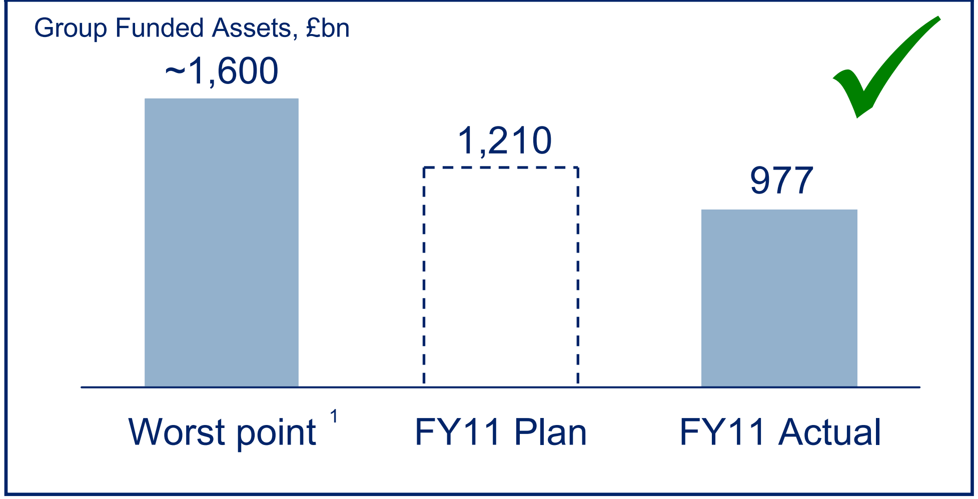
Strategy

- The new RBS is built upon **customer-driven businesses** with substantial competitive strengths in their respective markets
- Each unit is being reshaped to provide improved and **enduring performance** and to meet new **external challenges**
- Businesses are managed to **add value in their own right** and to provide a stronger, more balanced and valuable whole through **cross-business linkages**
- In parallel, RBS **legacy risk positions are being worked down** and **risk profile transformed**, in part via Non-Core division

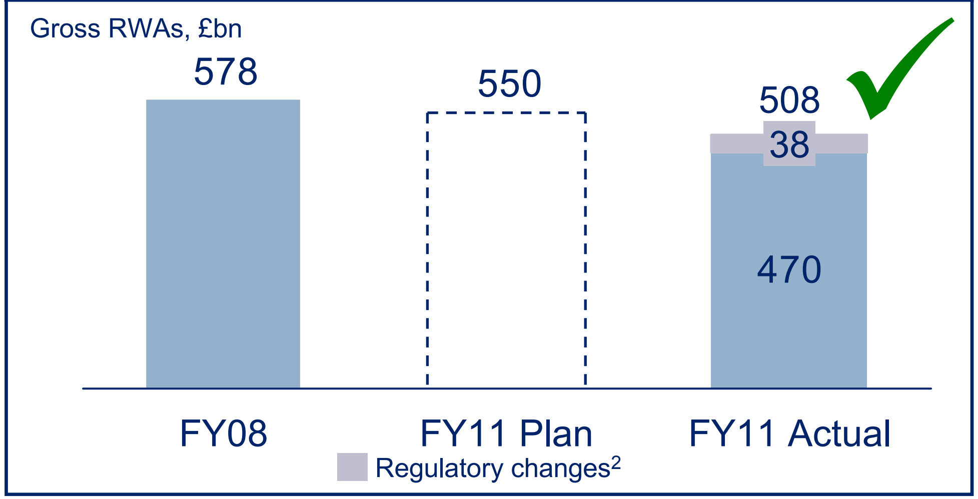
The principles of the RBS strategy are working well

Balance sheet improvement is ahead of original plan

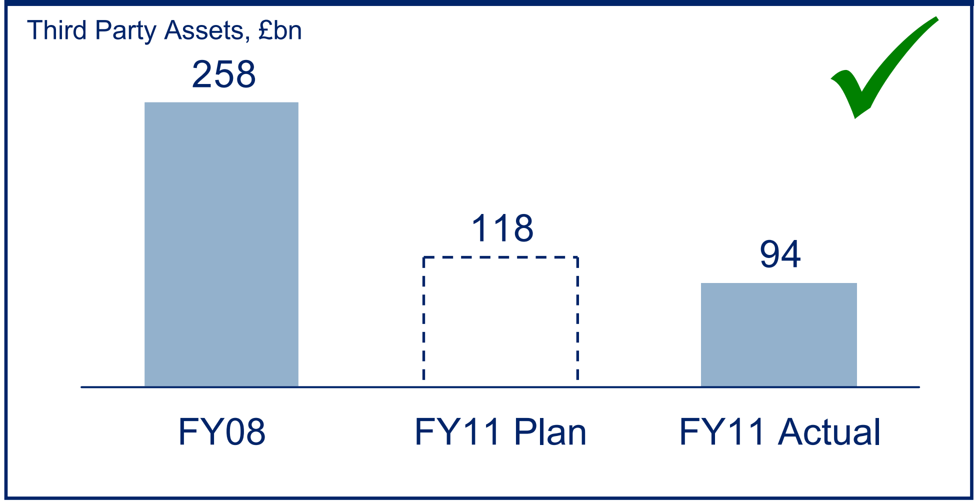
Group Assets



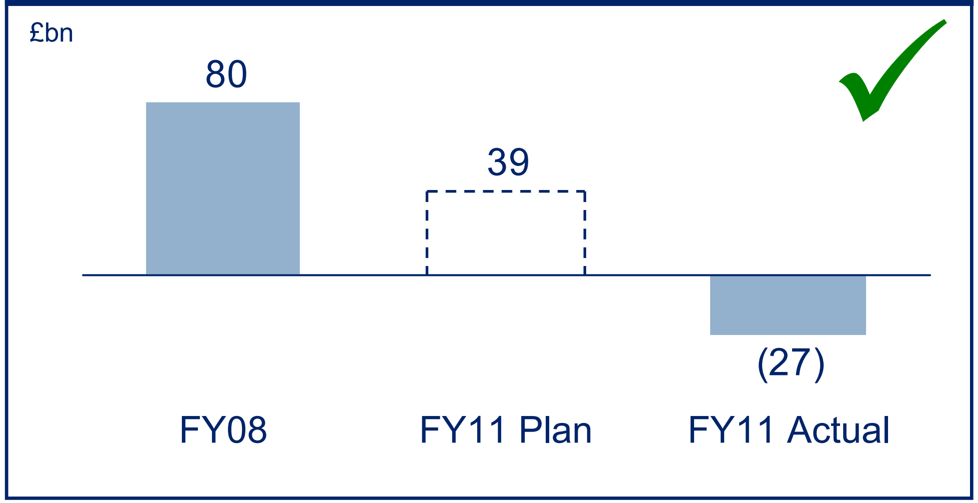
Group Risk Weighted Assets



Non-Core Assets



Core Funding Deficit / (Surplus)

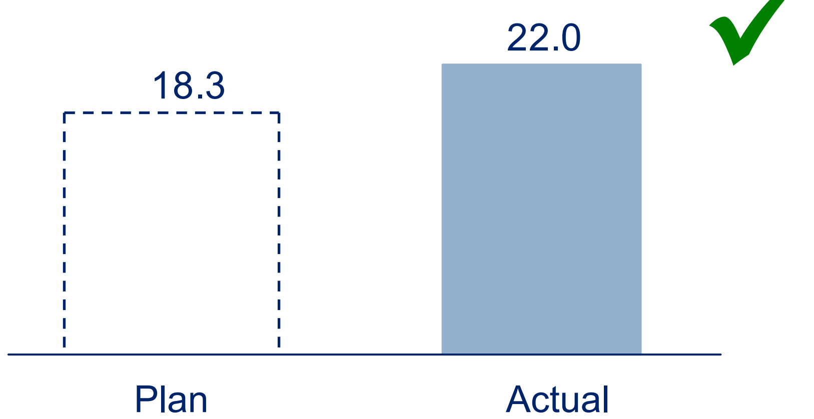


[1] FY07 funded assets, fully consolidated balance sheet. [2] Represents impacts at time of implementation.

RBS profits have exceeded original plan

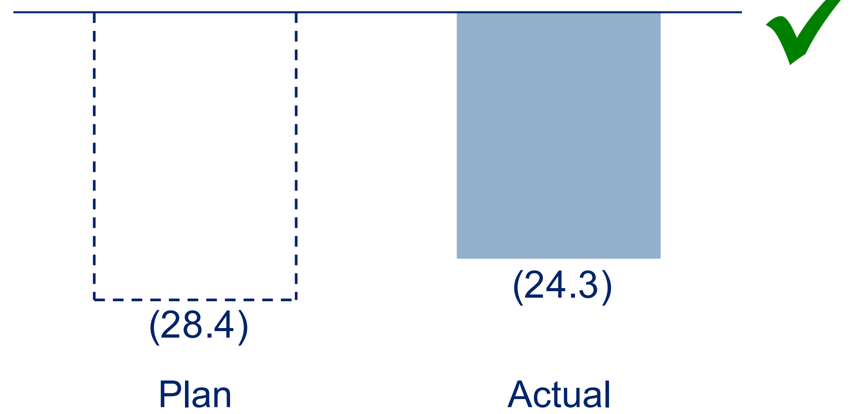
Core Bank

2009 - 2011 Cumulative Operating Profit, £bn



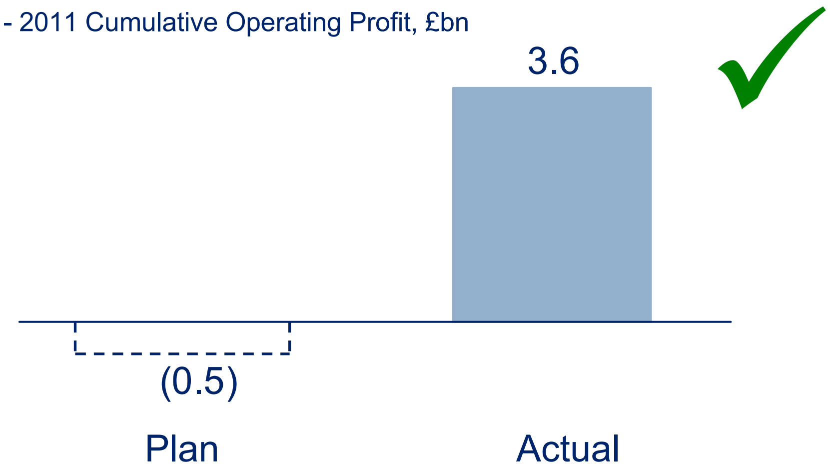
Non-Core

2009 - 2011 Cumulative Operating Loss, £bn



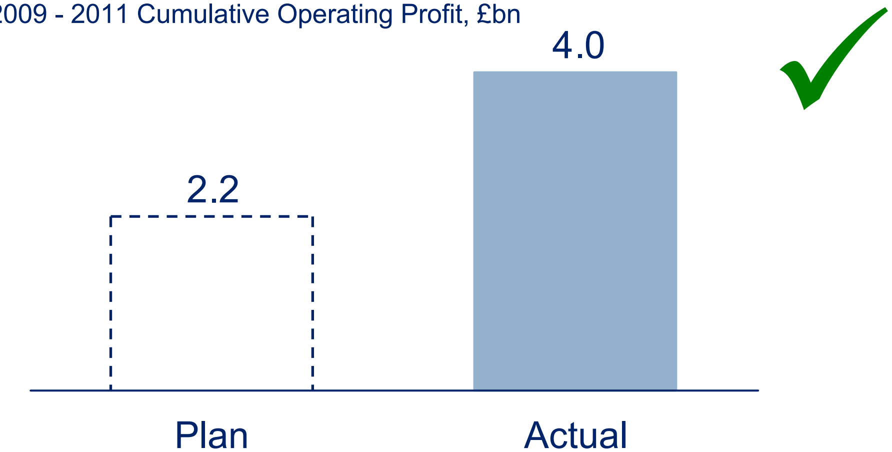
UK Retail

2009 - 2011 Cumulative Operating Profit, £bn



UK Corporate

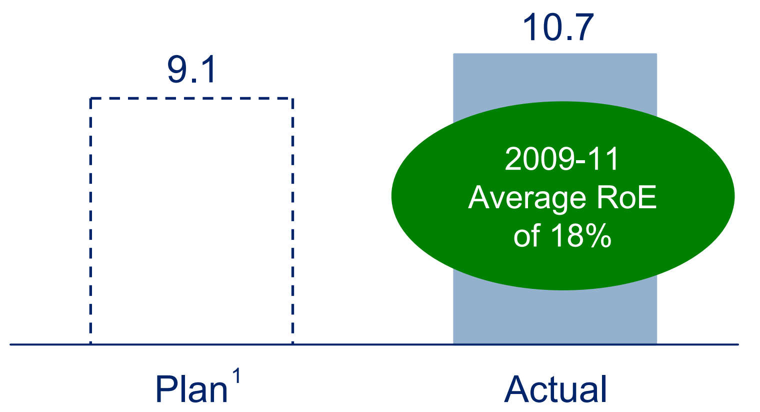
2009 - 2011 Cumulative Operating Profit, £bn



GBM delivered in a challenging environment

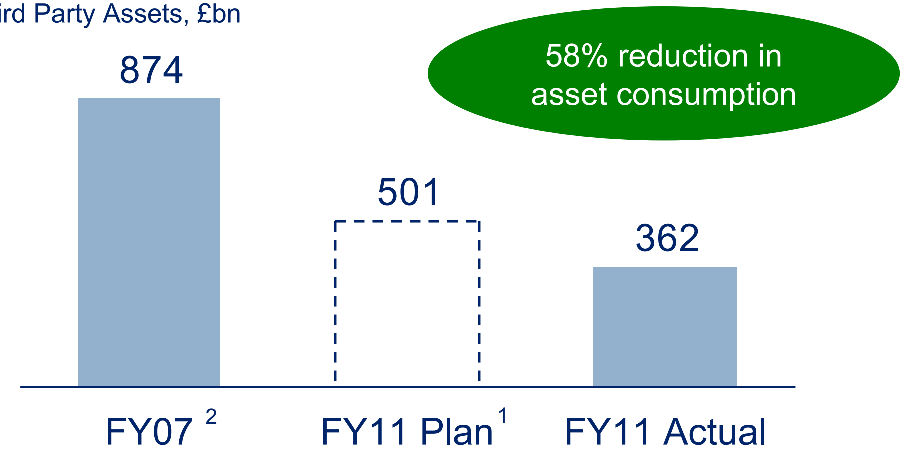
Operating profit ahead of expectations

2009 - 2011 Cumulative Operating Profit, £bn



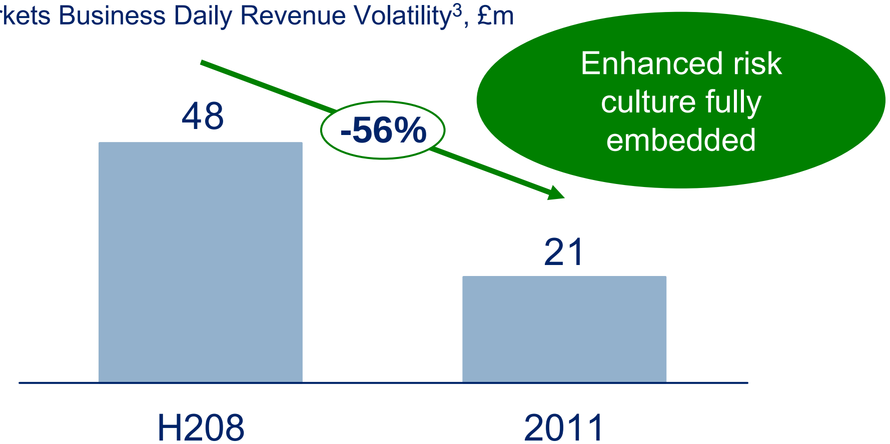
While using less balance sheet

Third Party Assets, £bn



Risk reduction

Markets Business Daily Revenue Volatility[3], £m



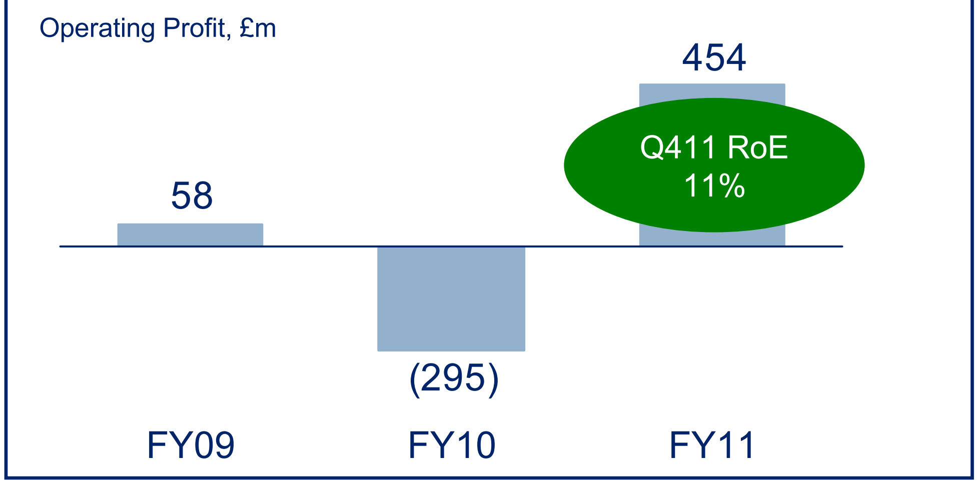
Achievements

- £10.7bn of operating profit generated to facilitate the restructure of the Group
- Profit delivered despite:
  - >50% reduction in balance sheet
  - Reducing risk appetite
  - Business line exits
- Average 2009-11 RoE of 18% compares well with peers

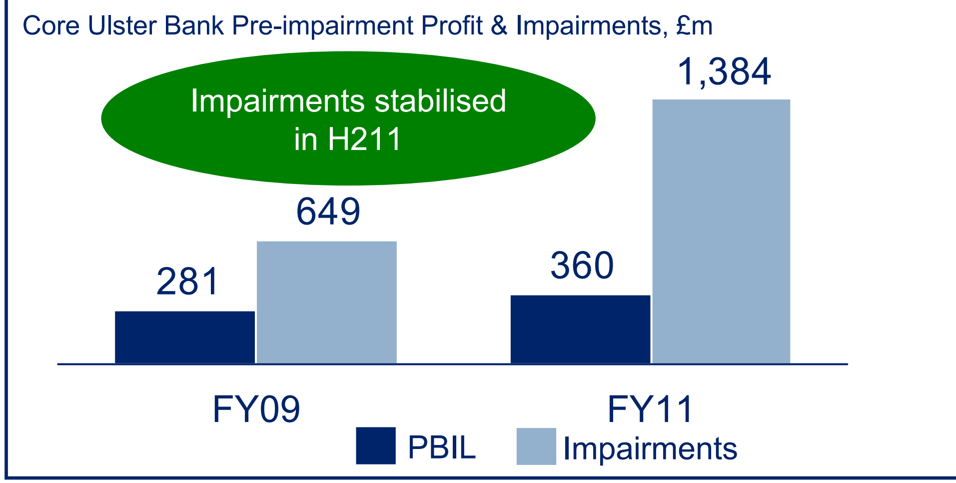
[1] Excluding Sempra. [2] "Old" GBM pre-Core/Non-Core creation. [3] Standard deviation of Markets daily revenue.

Setbacks are being tackled

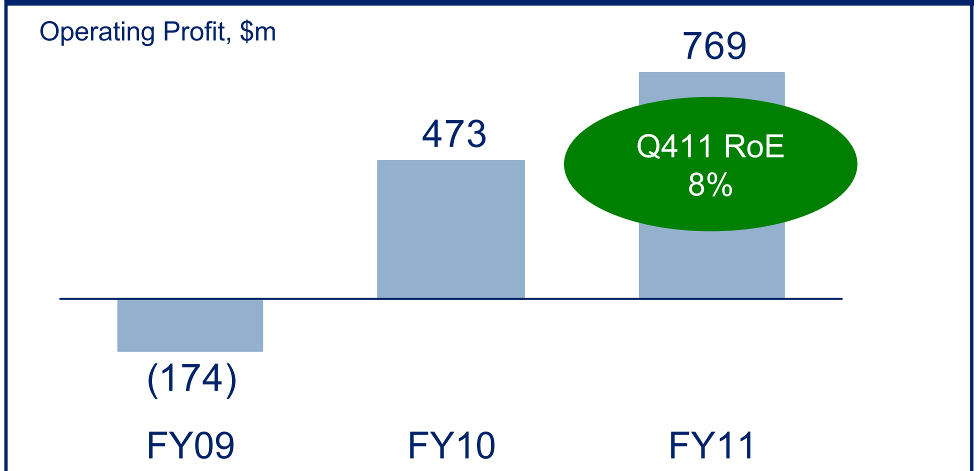
Insurance



Ulster Bank



US R&C



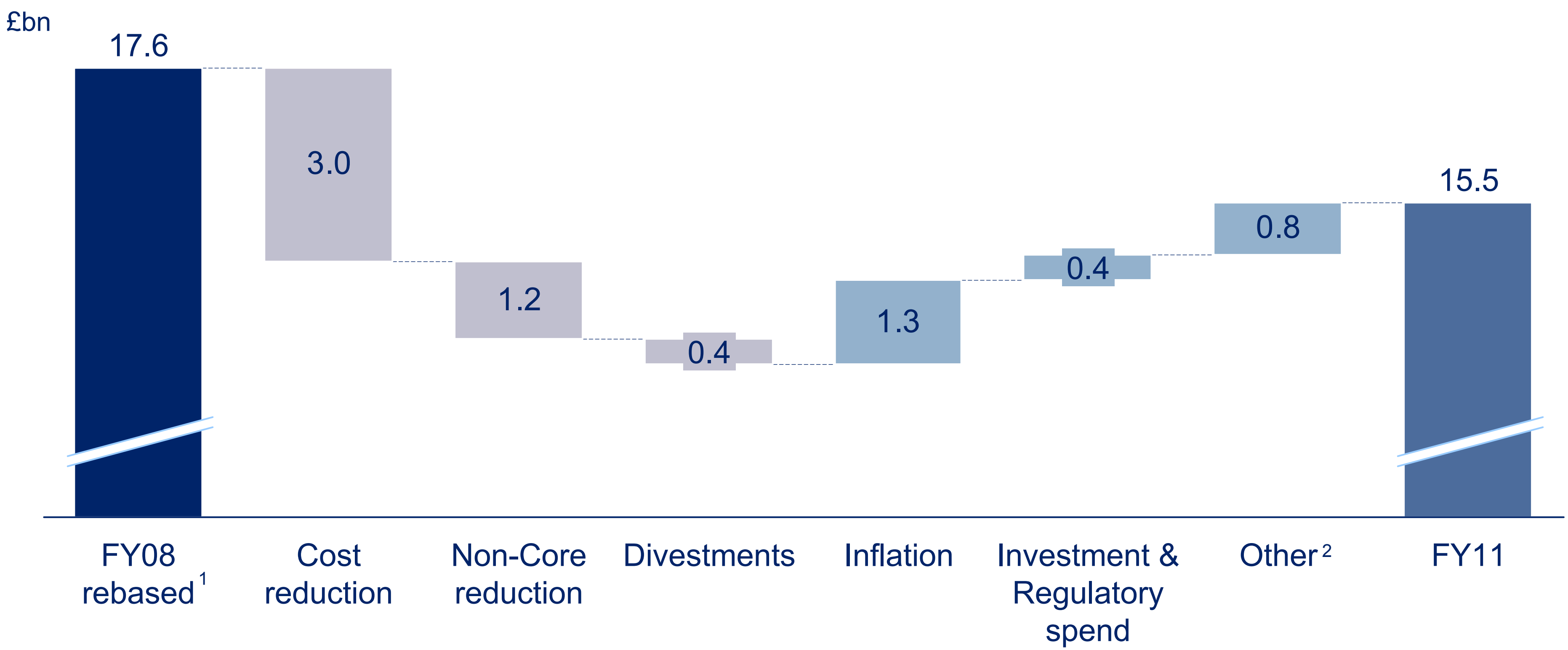
Actions

- **Insurance** experienced elevated BI claims[1]; continues to deliver on turnaround
- **US R&C:** Economic and interest rate recovery delayed; management actions bringing Division back on track
- **Ulster Bank** (Core) impairments and macro out-turn worse than expected; PBIL increased, impairments now stabilised

[1] Bodily injury claims.

We have tightly controlled costs

RBS Group cost base evolution

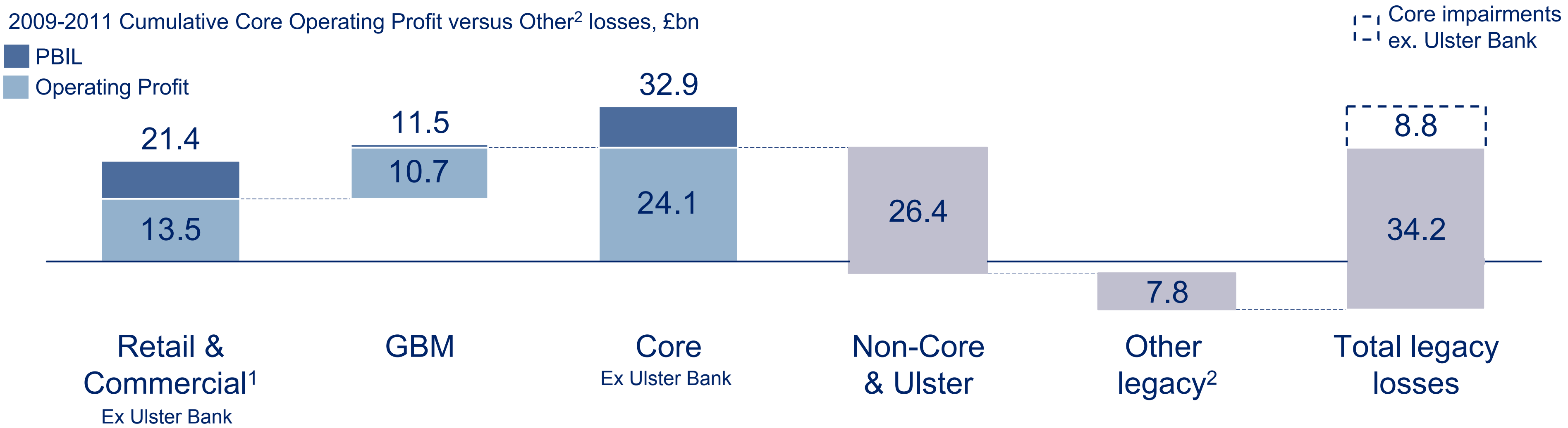


Relentless focus on cost efficiency; further savings initiatives planned

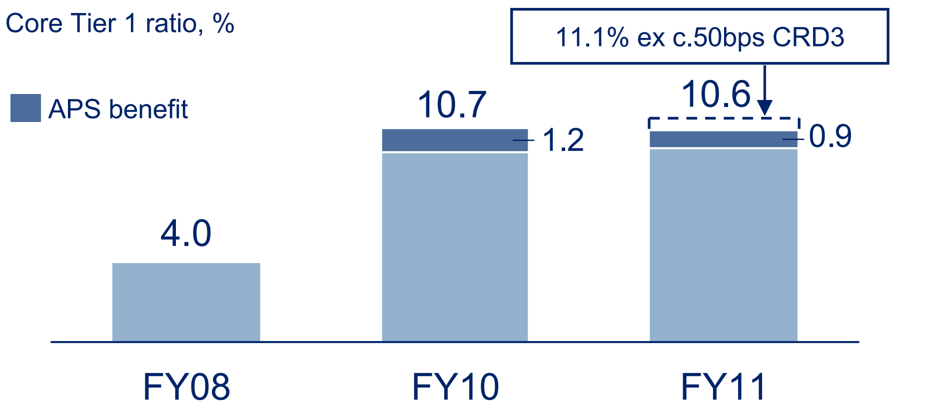
[1] Rebased for FX and one-off exceptional adjustments. [2] Includes one-offs, volume & other.

Core Bank profits have allowed us to restructure

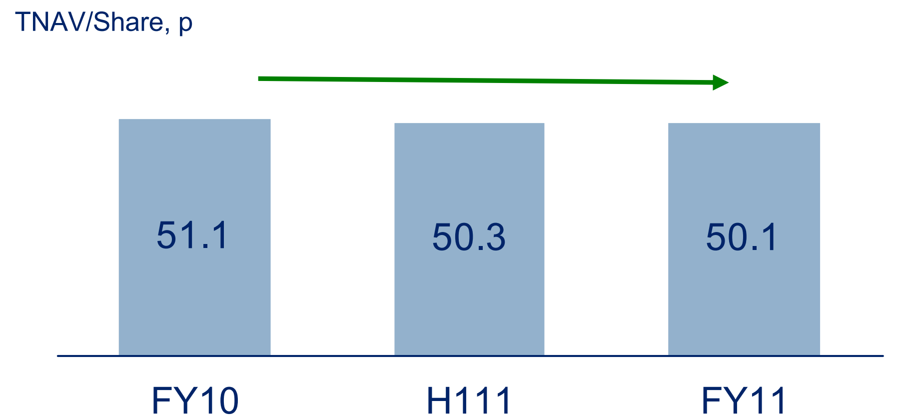
Core earnings generated have allowed us to take legacy losses



Core Tier 1 rebuilt



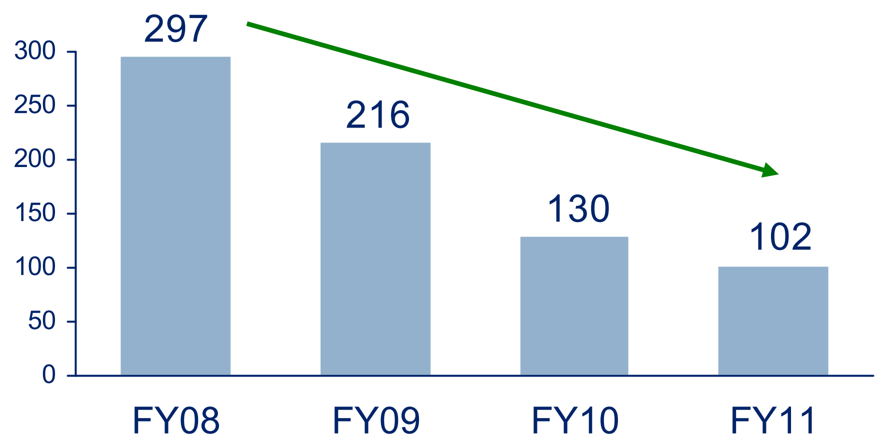
TNAV maintained



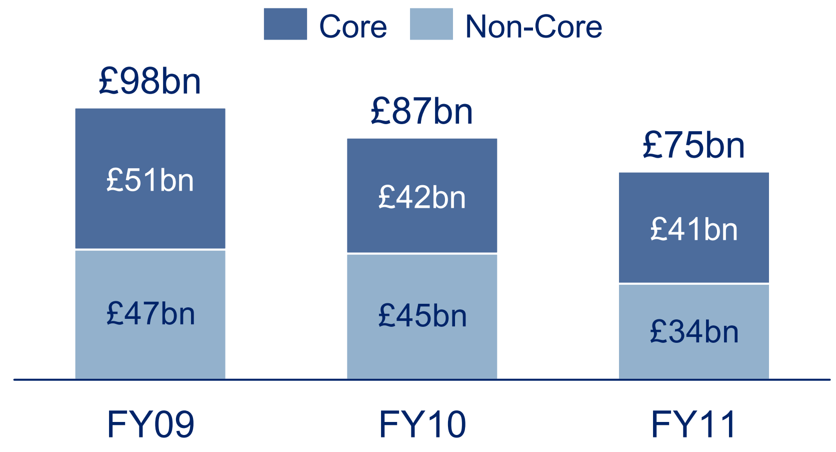
[1] Including Insurance £0.2bn and Central Items £1.1bn. [2] Includes Greek Sovereign debt impairment £1.1bn and associated interest rate hedge adjustment of £0.2bn, PPI £0.9bn, Integration & Restructuring costs £3.4bn, Strategic disposals £0.2bn (positive), APS fee £2.46bn.

The Group's risk profile is significantly better

Short term wholesale funding[1]

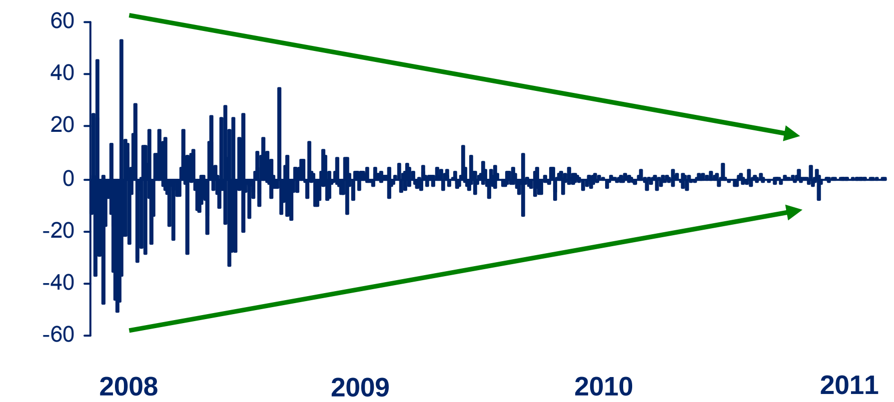


Commercial Real Estate Exposure[2]



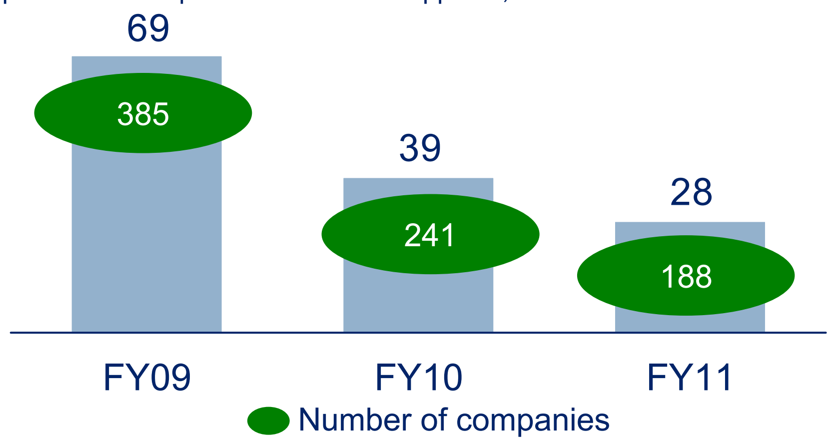
Non-Core market risk greatly reduced

Exotic Credit Book Daily P&L Moves, £m



Single name credit concentrations

Corporate SNC Exposures Over Risk Appetite, £bn



[1] Wholesale funding < 1 year to maturity excluding derivatives collateral. [2] Credit Risk assets excluding RRM and contingent obligations. Data shown as published at each period.

Focus on the customer has reinforced our franchises

We set clear objectives….

- Re-commit the entire organisation to delivering for our customers
- Implement overdue investment in service, technology and a changing cultural approach
- Supporting customers in challenging times

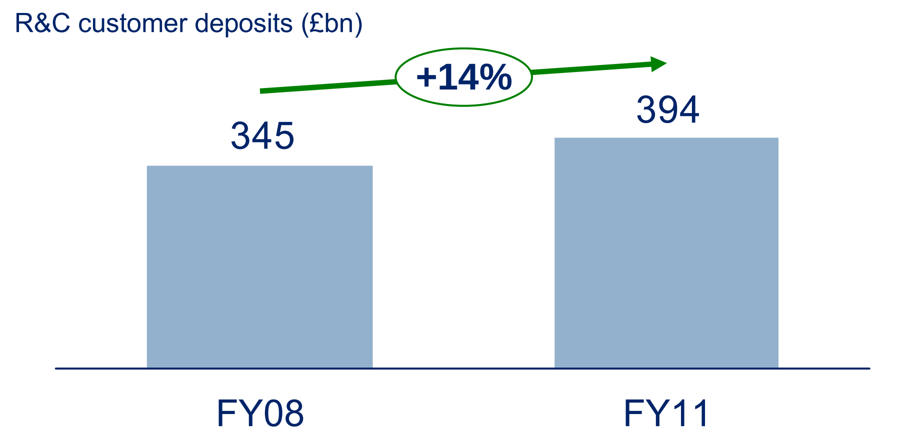
…with tangible evidence of delivery

- Re-energised Retail Banking offer in UK, US and Ireland built around 'helpful banking'
- Shift from volume to value driven customer service and employee incentive models
- Overhauled IT systems in Wealth and GBM to deliver improved service and efficiency

We continue to support SME lending

- Gross new lending to SMEs up 4% vs 2010 and 18% vs 2009. £41bn of facilities, including overdrafts, extended in 2011
- RBS lending exceeds target and represents 48% of all SME lending reported by Merlin Banks[1]
- Total UK Corporate & SME lending of £94bn for 2011, including overdrafts

While deposit growth has been strong



[1] Source: Bank of England, RBS calculation.

External environment now presents tougher challenges than we originally planned

Economic

- Slower economic recovery
- Flatter yield curve

RBS impact

- NIM and impairment headwinds
- Lower customer activity levels

Market

- Customer risk aversion
- Dislocated funding markets

RBS impact

- Lower IB client activity & risk volatility
- Higher Group funding costs
- Still more conservative funding model required

Regulatory

- Basel – capital and liquidity requirements
- ICB

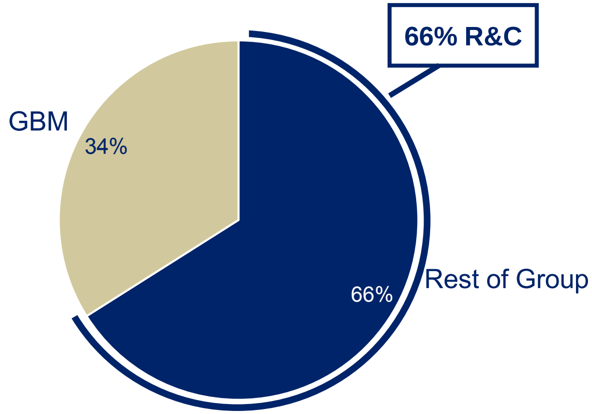
RBS impact

- Much higher capital requirement
- Increased funding, liquidity and capital costs

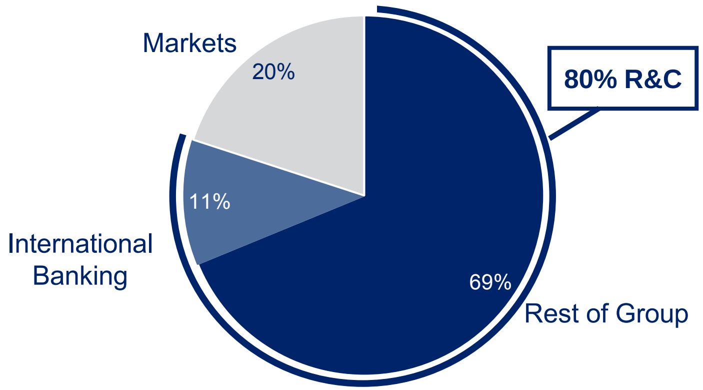
Our response to challenges

Response: Adjust business mix, improving sustainable strength & value

FY07 revenues[1], old structure

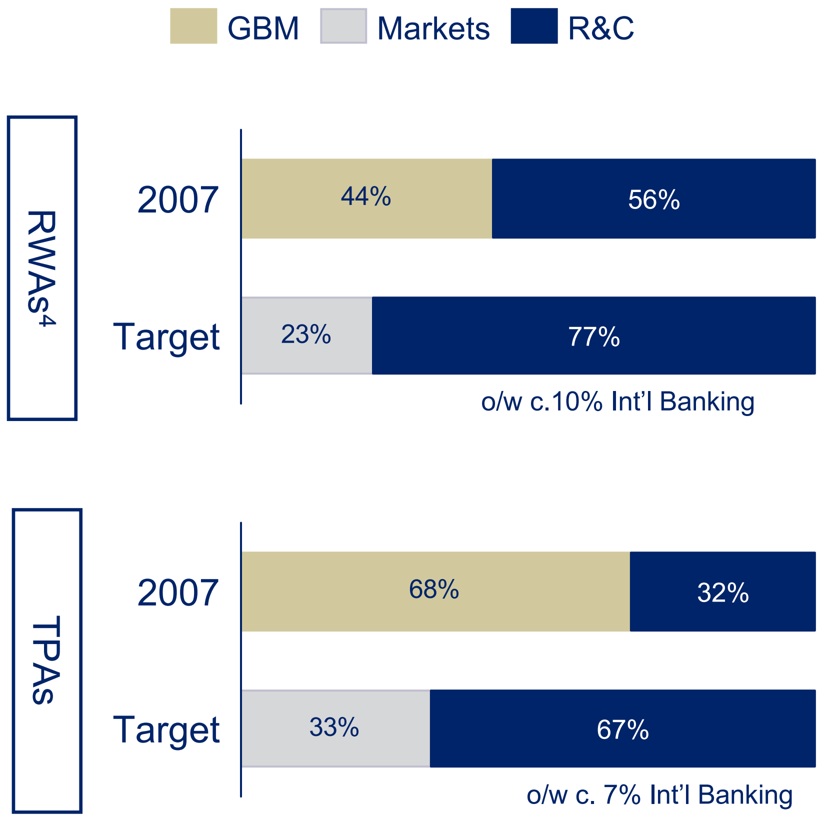


FY11 revenues[2], new structure



- Total markets revenues[3] of £5.6bn represent c25% of Core[2]

Balance sheet structure

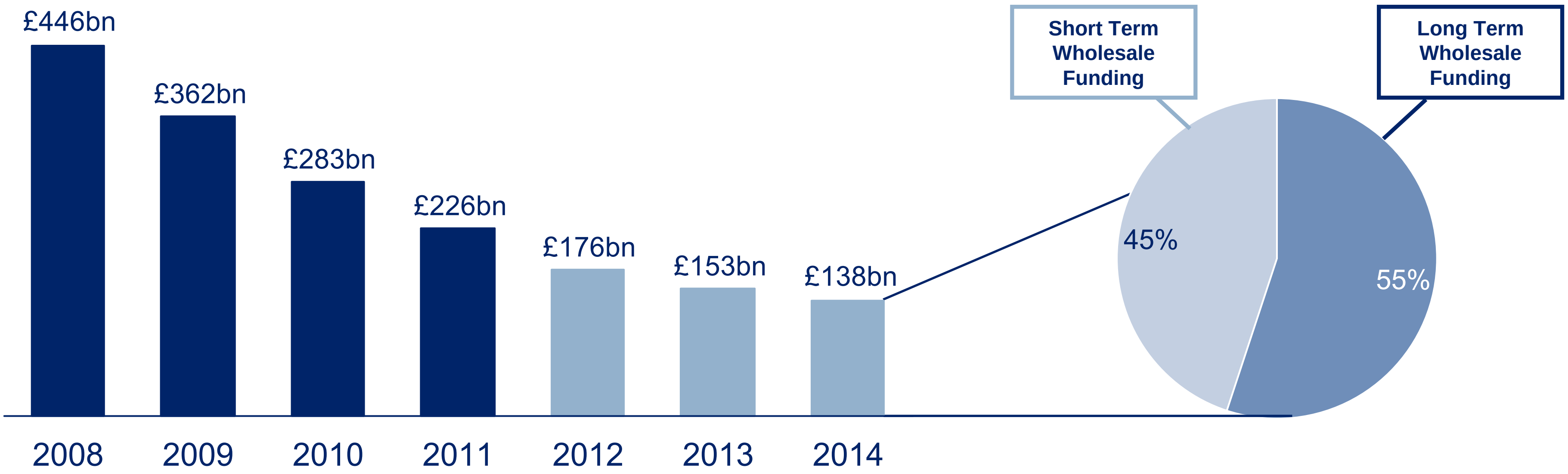


Further shift toward Retail & Commercial

[1] Total Group excluding insurance. [2] Core excluding Insurance. [3] Revenues booked in both Markets and other Divisions. [4] RWA target fully loaded for Basel III.

Response: Target further reduction in wholesale funding

Wholesale funding[1] usage run-down



- Further Non-Core reduction, Markets deleveraging and deposit growth will drive reduced wholesale funding requirement from £226bn (FY11) to £138bn (FY14)
- Liquidity buffer coverage of short-term wholesale funding is strong today, will remain conservative

[1] Wholesale funding includes unsecured debt securities, subordinated liabilities and bank deposits. Excludes derivative collateral.

Response: GBM - what are we trying to solve?

Market developments / headwinds	Management actions
■ Inflation in Markets' capital requirements from regulatory change ■ Pressure on unsecured wholesale funding volumes and associated cost ■ Global wholesale revenue pool decline	■ Reduce asset and capital usage to improve balance sheet strength, funding profile and RoE ■ Focus on strongest businesses and exit loss-makers to improve RoE ■ Seek cost synergies to improve RoE ■ Enhance connectivity with other divisions

More conservative balance sheet, better RoE, better value for shareholders

Response: New International Banking Division

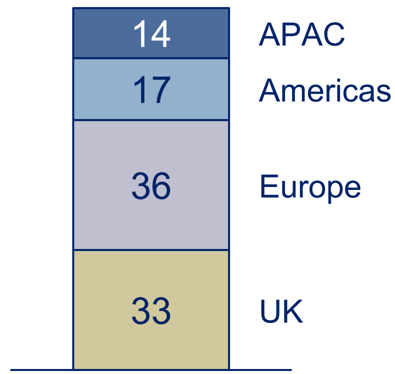
Vision

A leading international Corporate & Transaction Bank

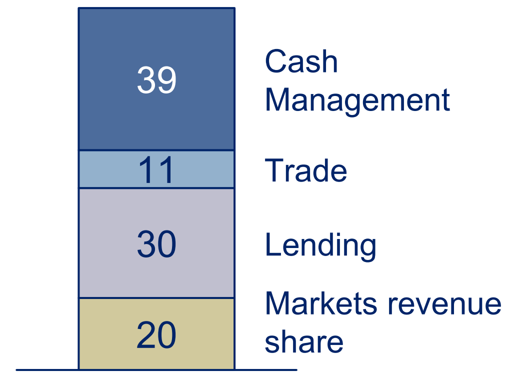
- Focussed on internationally-oriented corporates (~1.5k clients) and their subsidiaries (~6k clients)
- Presence across major financial centres in UK, Europe, Asia-Pacific and Americas
- Servicing International Banking clients and the international transaction services needs of Group customers

A diversified revenue base

FY11 Pro-Forma Revenue by Geography, %



FY11 Pro-Forma Revenue by Product, %

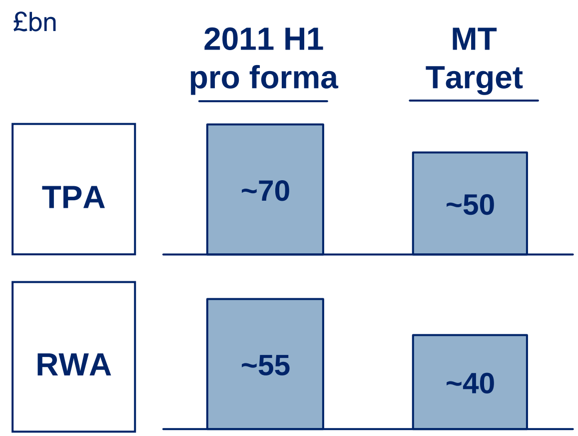


Significant extractable benefits

- 'One-stop shop' access to our debt financing, risk management and payments services
- Self-funding model through stable corporate deposit base
- Enhanced in-country management & coordination, stronger connectivity and lower costs

Target > 12% RoE

Balance sheet usage rationalised



100% L:D ratio target

- Reduced TPA consumption
- Optimised capital consumption

Response: Markets - adjust resourcing to meet market & regulatory challenges

- Provides products and services to a wide range of the Group's clients and addresses the more complex financial needs of large corporate and institutional clients and (via Retail network, RBS Wealth and third party distributors) sophisticated retail investors
- Intermediates between diverse issuer and investor client sets, including clients of the wider Group

Clients

Markets clients

- Financial Institutions:
  - Asset Managers, Pension Funds & Hedge Funds – large institutional investors
  - Banks & Insurers – from leading international institutions to small local players
  - Sovereigns and SSAs
- Corporates
- Clients of other divisions (Non-FI):
  - Through International Banking
  - Through UK Corporate, Citizens, Ulster, Wealth, UK Retail

Product offering

- Currencies – spot FX and currency hedging
- Rates – interest rate hedging, inflation, money markets
- DCM and Credit – execution and market intelligence
- Risk Solutions – corporate risk management solutions
- Emerging Markets – access to non G11 offshore and onshore products
- FI Solutions and Asset-backed Products – balance sheet, capital and liquidity solutions
- Prime Services – prime brokerage, clearing, collateral services, futures
- Investor Products and Equity Derivatives

Financial Overview, £bn

	2011 H1 pro forma	MT Target
TPA	~325	~250
RWA	~110 + ~50 (Additional CRD 3, 4 Impact)	~110[1]
RoE	n/a	>12%

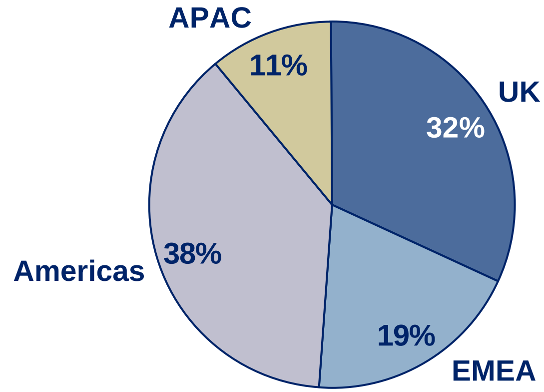
[1] Includes Basel 3 Impacts. Ultimate target is c£100bn.

Response: Markets - adjust resourcing to meet market & regulatory challenges

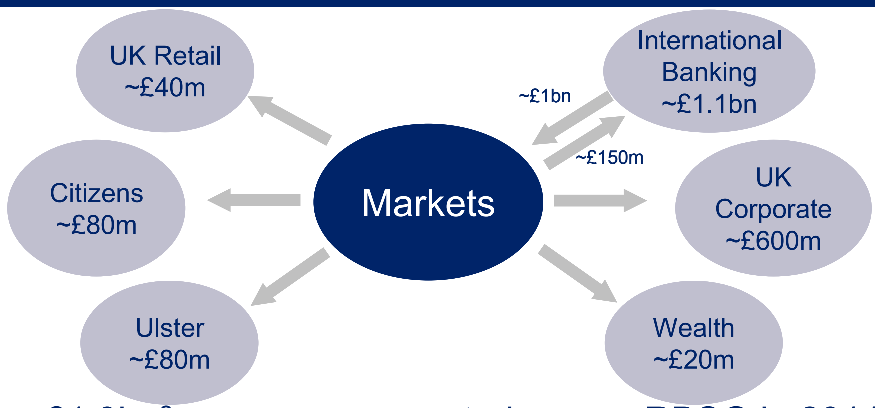
Markets Rankings[1]

Rates	Top 5
FX	Top 5
Asset Backed Products	Top 5
DCM (EMEA)	Top 5-7

FY11 Pro-Forma revenue split by geography[3]

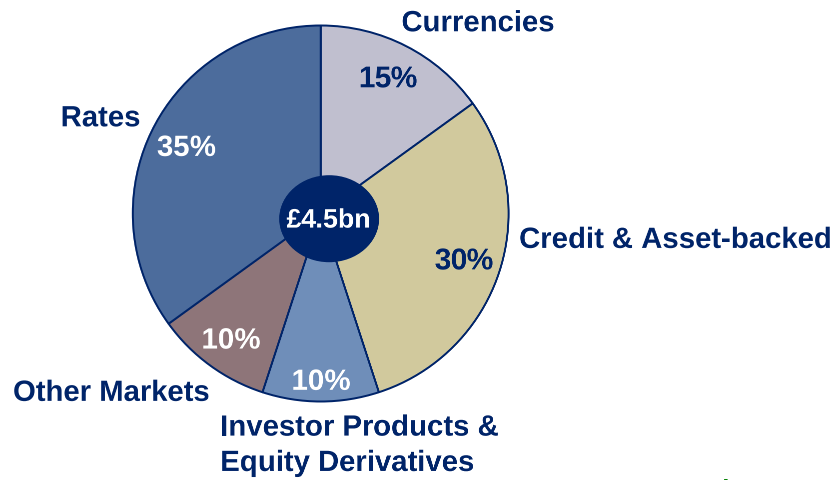


Integrated into the Group



- ~£1.9bn[2] revenues generated across RBSG in 2011 through Markets connectivity

FY11 Pro-Forma revenue split by product[3]



Focussed on fixed income, with strong positions in rates, FX, asset-backed products and debt capital raising

[1] Global at Q311, DCM league table is FY11, Source: Coalition, Dealogic, Greenwich Associates, RBS analysis. [2] Markets products to Group clients and International Banking products to Markets clients. [3] Estimates.

Response: Revisited Group Targets

		Strategic Plan Target 2013	New Medium Term Goals
Safety & Soundness	Loan : Deposit Ratio	c.100%	**c.100%**
	Core Tier One Ratio	>8%	**>10%**
	Leverage Ratio	<20x	**<18x**
Returns	ROE (Core Bank)	>15%	**>12%**
	Cost : Income Ratio (Core Bank)	<50%	**c.55%**

- All divisions targeted to cover their Cost of Equity (>12%)
- All banking divisions to be self-funding (c. 1:1 Loan:Deposit Ratio)
- Continued focus on cost efficiency
- Strong safety & soundness metrics
- An interconnected and mutually enhancing set of complementary businesses

Response: Refreshed RBS Vision

Enduring customer franchises	■ Anchored in Retail and Commercial banking with strong, connected Markets activity ■ Top tier competitor in our chosen markets ■ Customer franchises reinvigorated by investment and better management – complementing and enhancing each other
Safer and more focused	■ Businesses with disciplined focus on what we do well ■ Profit earned by serving our customers ■ Risk management processes transformed ■ Only lending as much as we raise from deposits ■ Capital and liquidity strength meeting the highest international standards
A valuable, private sector bank	■ Consistently profitable, with sustainable shareholder returns above cost of capital ■ 'Standalone strength' regained, no longer needing Government support ■ The Government will have sold or at least begun to sell its shares ■ A leader in transparency and 'investor friendly' orientation

Conclusions - Aim for continued progress in 2012 though acknowledge economic and environmental headwinds

Strategy remains	Make the Bank safe & sound Return to value creation as “clean-up” paid for & receding Focus on customers
Good progress to date	Core Retail & Commercial[1] returns ahead of plan Non-Core step change in risk reduction GBM challenges addressed, implementing revised strategy Balance sheet, funding and liquidity metrics now compare favourably to peer group
External challenges	Economic environment challenging, low rates and low GDP growth Pace and scope of regulation challenge: Basel III, ICB, Dodd Frank etc Market challenges include wholesale funding and client risk aversion
What we aim to do	Remain focussed on disciplined business improvement Continue to reduce risk both on balance sheet and funding Execute Plan consistently and meticulously; track and report progress

[1] Ex. Ulster Bank.

Finance and Risk Review

Bruce Van Saun, Group Finance Director

Agenda

- Core Results
- Non-Core Results
- Group Results
- Balance Sheet Progress
- Outlook and Conclusion

Core performance

	FY11 £m	FY10 £m	FY11 vs. FY10 %	Q411 £m	Q311 £m
Net Interest Income	12,023	12,517	(4%)	3,003	2,968
Non Interest Income	14,548	17,181	(15%)	2,920	3,344
Income	**26,571**	**29,698**	**(11%)**	**5,923**	**6,312**
Operating Expenses	(14,183)	(14,454)	(2%)	(3,330)	(3,498)
Claims	(2,773)	(4,046)	(31%)	(590)	(696)
PBIL[1]	**9,615**	**11,198**	**(14%)**	**2,003**	**2,118**
Impairment Losses	(3,520)	(3,780)	(7%)	(941)	(854)
Operating Profit	**6,095**	**7,418**	**(18%)**	**1,062**	**1,264**
Of which: R&C	3,924	3,772	4%	947	962
GBM	1,561	3,364	(54%)	(95)	112
Insurance	454	(295)	nm	125	123
Centre	156	577	(73%)	85	67

- FY11 income down 11% reflecting weaker GBM performance while R&C remained resilient; underlying[2] income down 9%
- Costs remain well controlled (down 2%), while positive claims trends continue
- R&C FY11 operating profit up 4%, up 10% excluding GMS or up 14% excluding GMS and Ulster
- Insurance turnaround plan is delivering

[1] Profit before Impairment Losses. [2] After adjusting for the disposal of GMS in FY10.

Core by division

UK Retail	FY11 £m	FY 10 £m	FY11 vs. FY10 %	Q411 £m	Q311 £m
Income	5,478	5,415	1%	1,313	1,366
PBIL	2,779	2,532	10%	652	694
Impairments	(788)	(1,160)	(32%)	(191)	(195)
Operating profit	1,991	1,372	45%	461	499
UK Corporate					
Income	3,860	3,895	(1%)	925	948
PBIL	2,199	2,224	(1%)	509	529
Impairments	(785)	(761)	3%	(234)	(228)
Operating profit	1,414	1,463	(3%)	275	301
Wealth					
Income	1,177	1,056	11%	303	296
PBIL	346	322	7%	109	75
Impairments	(25)	(18)	39%	(13)	(4)
Operating profit	321	304	6%	96	71
GTS					
Income	2,251	2,561	(12%)	573	576
PBIL	909	1,097	(17%)	244	240
Impairments	(166)	(9)	nm	(47)	(45)
Operating profit	743	1,088	(32%)	197	195

UK Retail

- Good progress in operating profit, up 45% y-o-y
- Revenue increase driven by strong mortgage growth
- Expenses down 7% due to cost saving initiatives
- Impairments down 32% reflecting more stable economic environment

UK Corporate

- Resilient income despite economic headwinds
- Good cost control; CIR flat y-o-y at 43%
- Small increase in impairments due to a handful of single name exposures
- Loan:deposit ratio improved 400bps to 106%

Wealth

- Strong FY11 income performance reflecting margin expansion and balance sheet growth
- AUM up 3% in Q411, deposits up 3%

GTS

- Performance impacted by single name impairment
- FY11 PBIL excluding GMS up 2% y-o-y
- Underlying income up 7% driven by higher cash management and trade finance growth
- Good balance sheet growth vs. FY10, deposits up 3%, L&A up 10%

Core by division

Ulster Bank	FY11 £m	FY 10 £m	FY11 vs. FY10 %	Q411 £m	Q311 £m
Income	907	975	(7%)	220	245
PBIL	360	400	(10%)	88	108
Impairments	(1,384)	(1,161)	19%	(327)	(327)
Operating (loss)	(1,024)	(761)	35%	(239)	(219)
US R&C ($m)					
Income	4,653	4,553	2%	1,183	1,193
PBIL	1,290	1,272	1%	350	321
Impairments	(521)	(799)	(35%)	(101)	(136)
Operating profit	769	473	63%	249	185
GBM					
Income	5,941	7,912	(25%)	912	1,099
PBIL	1,610	3,515	(54%)	(27)	80
Impairments	(49)	(151)	(68%)	(68)	32
Operating profit / (loss)[1]	1,561	3,364	(54%)	(95)	112
Insurance					
Income	3,807	4,239	(10%)	863	961
Claims	(2,772)	(3,932)	(30%)	(589)	(695)
Operating profit / (loss)	454	(295)	nm	125	123

[1] Ex fair value of own debt (FVOD).

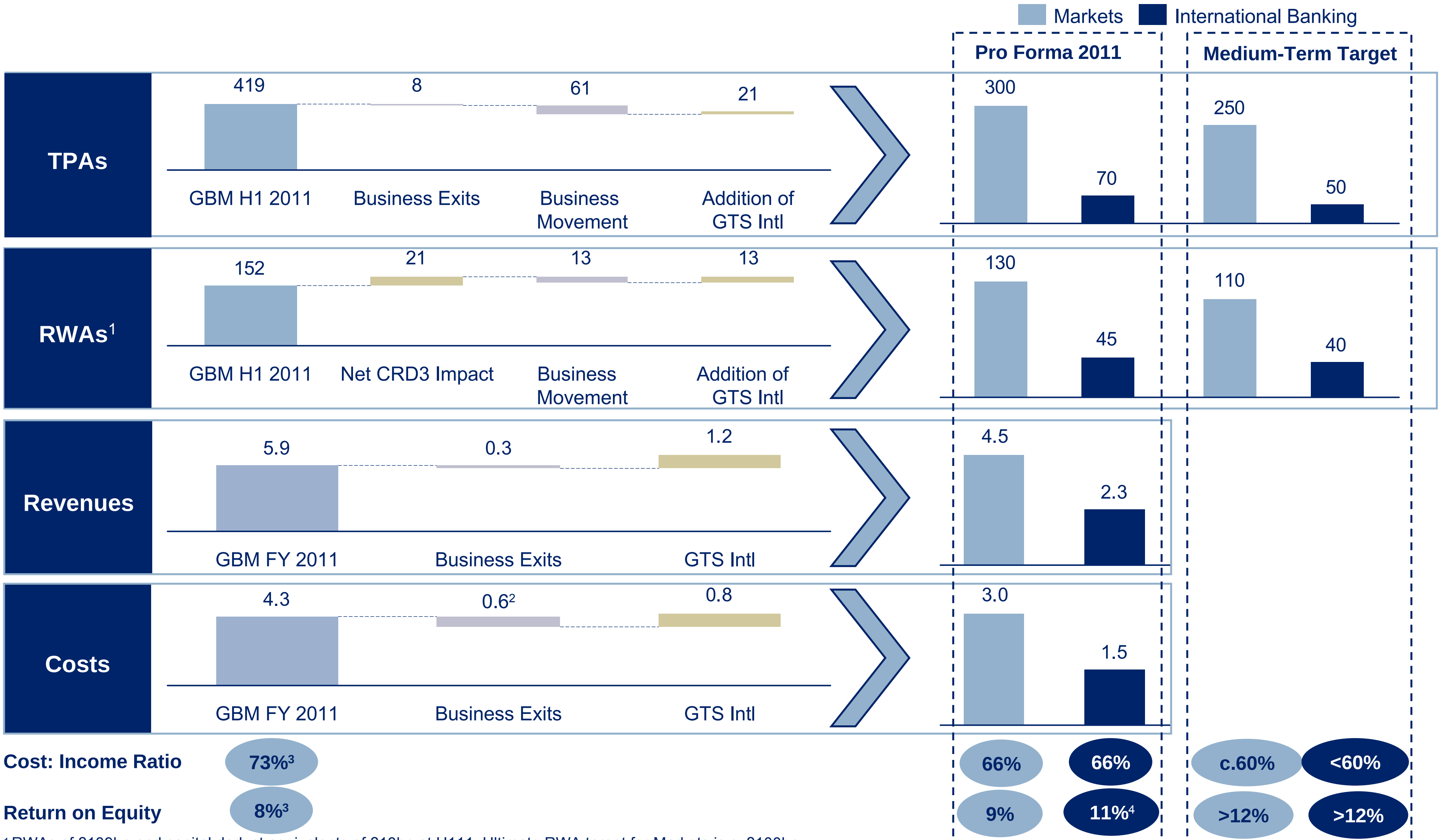
Ulster Bank
- FY11 PBIL down 10% reflecting challenging revenue environment
- Costs down 5%, as management maintains focus on efficiency
- Impairments up 19% y-o-y due to increased debt-flow and falling residential property values; Q4 impairments flat

US R&C
- FY11 operating profit up c. $300m
- FY11 revenues up 2% driven by commercial loan revenue growth of 4%
- Impairment losses declined 35% on improved credit environment

GBM
- Revenue decline reflects more difficult environment and client risk aversion
- Q4 revenues down £54m (5%) net of fair value of own derivatives / CEM impact
- FY11 compensation ratio at 41%

Insurance
- FY11 turnaround of c. £750m profit
- Underwriting profit up 3% in Q4
- Q4 claims down 15%, while costs down 3%
- Q4 RoE of 11%

GBM restructure: 2011 pro forma & target state



[1] RWAs of £139bn and capital deduct equivalents of £13bn at H111. Ultimate RWA target for Markets is c. £100bn.
[2] Reflects business exits and associated synergies. [3] FY 2011. [4] Excluding unusually large FY11 single name impairment in GTSI.

GBM restructure: End result

RoE Levers

2011 Pro Forma Markets RoE		9%
Deleveraging Costs	-	
Revenue Normalisation[1]	+	
Cost Efficiencies	+	
Regulatory Change	-	
RWA Management	+	
Medium-Term RoE Target		**>12%**

Capital Accretion[2]

RWA Reduction from Deleveraging and Basel 3 Mitigation[3]	£70bn
Capital Release	10%
Net Benefit	£7bn
Restructuring Cost[4]	£550m
After Tax	£400m
Net Capital Benefit[5]	**£6.6bn**

[1] Versus weak H211. [2] For combination of new International Banking and new Markets businesses. [3] Basel 3 RWAs falling from c. £220bn to c. £150bn including capital deducts. [4] Excludes ongoing BAU costs of c. £150m incurred in H112. [5] Excludes deleveraging costs.

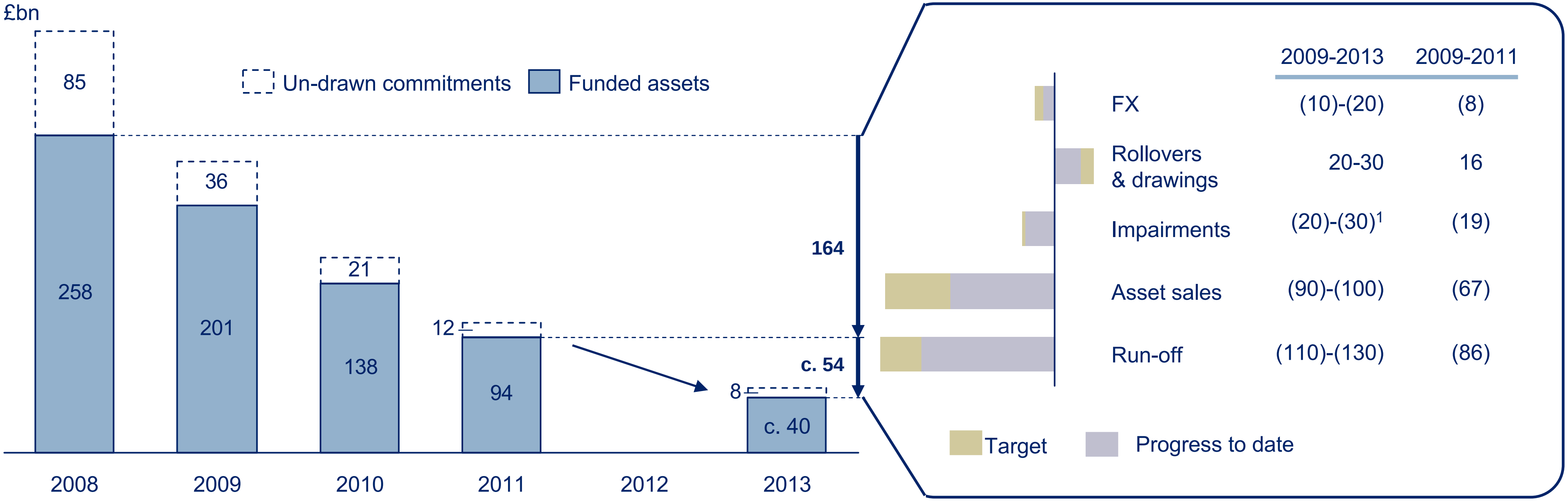
Non-Core performance

£m	FY11	FY10	FY11 vs. FY10 (£)	Q411	Q311
Net Interest Income (NII)	881	1,959	(1,078)	129	164
Non-Interest Income	325	1,005	(680)	(433)	(118)
Total Income / (Loss)[1]	**1,206**	**2,964**	**(1,758)**	**(304)**	**46**
o/w de-risking losses	*(556)*	*[-]*	*[nm]*	*(258)*	*(118)*
disposal losses	(127)	*(504)*	377	(36)	(37)
Operating Expenses	(1,295)	(2,256)	961	(314)	(323)
Profit/(Loss) before other operating charges	**(89)**	**708**	**(797)**	**(618)**	**(277)**
Claims	(195)	(737)	542	61	(38)
Impairment Losses	(3,919)	(5,476)	1,557	(751)	(682)
Operating Loss	**(4,203)**	**(5,505)**	**1,302**	**(1,308)**	**(997)**
TPAs[2], £bn	94	138	(44)	94	105
RWAs, £bn	93	154	(61)	93	118
Impairments as % Loans & Advances	4.8%	4.9%	(10bps)	3.7%	2.8%

- Lower NII due to run-down of TPAs[2] and higher funding costs
- Disposal and de-risking losses of c. £0.7bn in FY11 as RWA reduction targeted
  - Includes restructuring of monoline exposures in Q411
- Cost base reduced by 43% in 2011 due to business disposals
- FY11 reduction in impairments across the board, including Ulster Bank and CRE; Q4 increase due to a few single name exposures

[1] Excludes IFRS5 disposals. [2] Third party assets, excluding derivatives

Good progress in Non-Core run-down



- £44bn asset reduction in 2011, £2bn better than revised target, £24bn better than original plan
- FY11 funded assets of £94bn, <10% of Group
- Disposal losses to date total c. 3% of asset carrying values
- Recently announced disposal of Aviation Capital business (c.£4.7bn funded assets) delivers strong start to 2012

[1] Excludes FY08 impairments of £4.9bn.

Non-Core asset class composition changes

YE 2008 funded assets

Retail

UK Mortgages & Personal Lending £3.2bn

US Mortgages & Personal Lending £11.9bn

Ireland Mortgages £6.5bn

Other

RBS Insurance £2.0bn

Bank of China / Linea Directa £4.5bn

Whole Businesses £0.8bn

Shared Assets and Other £1.5bn

Corporate

Project & Export Finance £21.3bn

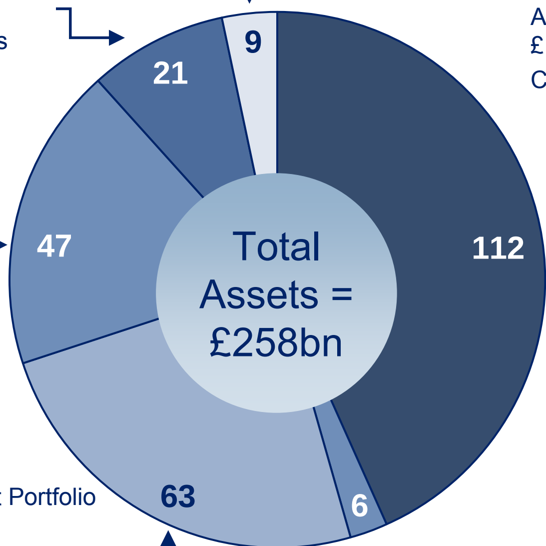
Asset Finance £24.2bn

Leveraged Finance £15.9bn

Corporate Loans & Securitisations £41.6bn

Asset Management £1.9bn

Countries £6.7bn



Markets

Structured Credit Portfolio £20.1bn

Equities £5.0bn

Credit Collateral Financing £8.6bn

Exotic Credit Trading £1.4bn

Sempra £6.3bn

Other Markets £6.2bn

Commercial Real Estate

Real Estate Finance £38.7bn

UK B&C £11.4bn

Ireland £9.9bn

US £2.8bn

SME

UK SME £4.2bn

US SME £1.6bn

YE 2011 funded assets

Retail

UK Mortgages & Personal Lending £1.4bn

US Mortgages & Personal Lending £3.9bn

Countries £0.9bn

Other

RBS Insurance £1.1bn

Shared Assets and Other £0.5bn

Corporate

Project & Export Finance £12.6bn

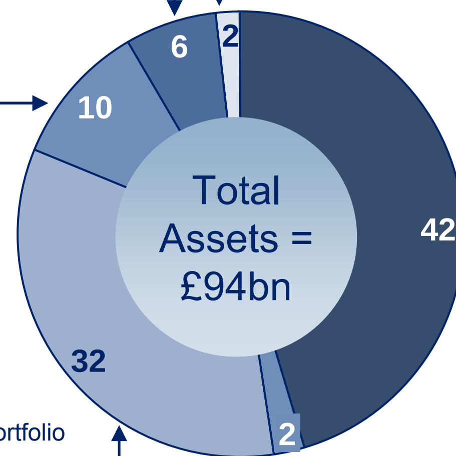
Asset Finance £16.2bn

Leveraged Finance £4.2bn

Corporate Loans & Securitisations £8.2bn

Asset Management £0.5bn

Countries £0.7bn



Markets

Structured Credit Portfolio £8.9bn[1]

Equities £0.3bn

Credit Collateral Financing £0.1bn

Exotic Credit Trading £0.2bn

Other Markets £0.4bn

Commercial Real Estate

Real Estate Finance £19.3bn

UK B&C £3.7bn

Ireland £7.7bn

US £0.9bn

SME

UK SME £1.8bn

US SME £0.3bn

[1] SCP includes £5.0bn of Corporate (o/w CLOs £4.2bn), £0.8bn RMBS, £1.1bn CMBS and £1.1bn SPVs.

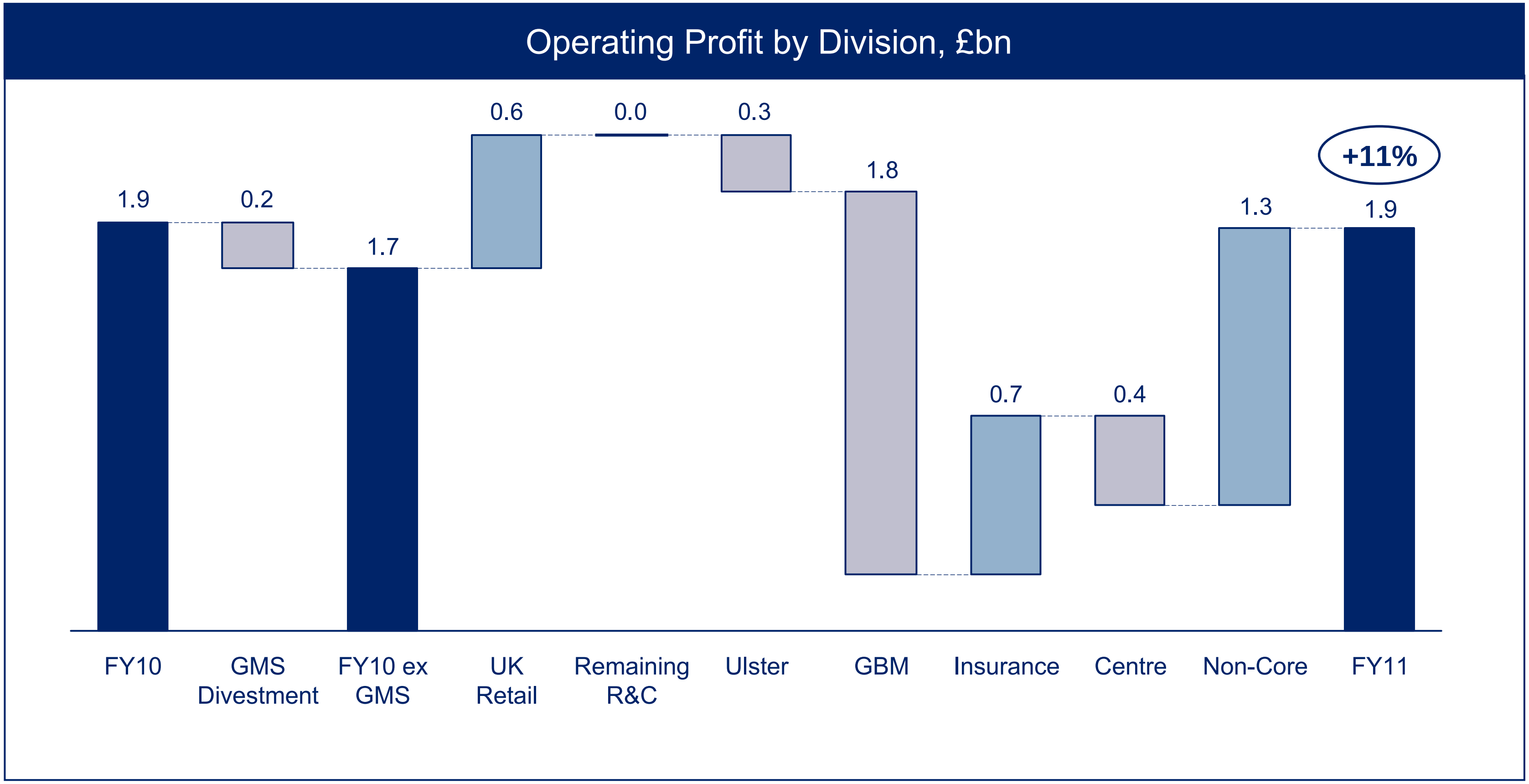
Group financial highlights

	FY11 £m	FY10 £m	FY11 vs FY10 £m	Q411 £m	Q311 £m
Income	**27,777**	**32,662**	**(4,885)**	**5,619**	**6,358**
Operating Expenses	(15,478)	(16,710)	1,232	(3,644)	(3,821)
Claims	(2,968)	(4,783)	1,815	(529)	(734)
PBIL	**9,331**	**11,169**	**(1,838)**	**1,446**	**1,803**
Impairment Losses	(7,439)	(9,256)	1,817	(1,692)	(1,536)
Operating Profit/(Loss)	**1,892**	**1,913**	**(21)**	**(246)**	**267**
One-off and other items[1]	**(2,658)**	**(2,312)**	**(346)**	**(1,730)**	**1,737**
Profit/(Loss) Before Tax	**(766)**	**(399)**	**(367)**	**(1,976)**	**2,004**
Attributable Profit/(Loss)	**(1,997)**	**(1,125)**	**(872)**	**(1,798)**	**1,226**
Net interest margin	1.92%	2.01%	(9bps)	1.84%	1.84%
Cost:income ratio[2]	62%	60%	200bps	72%	68%

Capital & Balance Sheet	31 Dec 11	31 Dec 10	Change
Funded balance sheet	**£977bn**	**£1,026bn**	**(5%)**
Risk-weighted assets[3] (pre APS)	**£508bn**	**£571bn**	**(11%)**
Core tier 1 ratio	**10.6%**	**10.7%**	**(10bps)**
Net tangible equity per share	**50.1p**	**51.1p**	**(2%)**

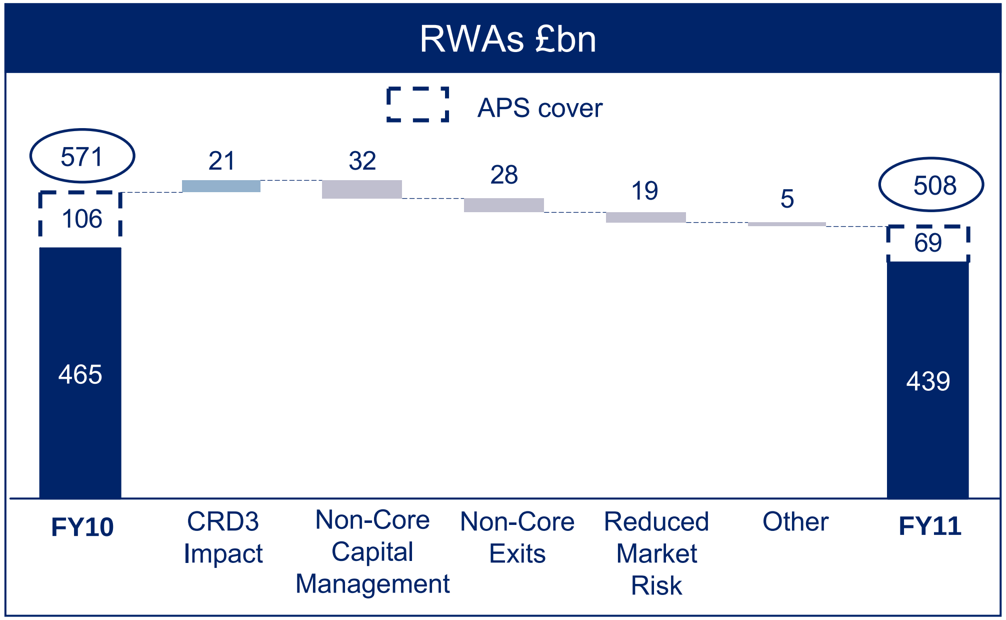
[1] Includes FVOD, restructuring & integration costs, APS CDS fair value changes, credit market event, gain on redemption of own debt, PPI and strategic disposals. See slide 18. [2] Calculated using income net of insurance claims. [3] Excludes £69bn RWA relief as of 31st December 2011 and £106bn as at 31st December 2010.

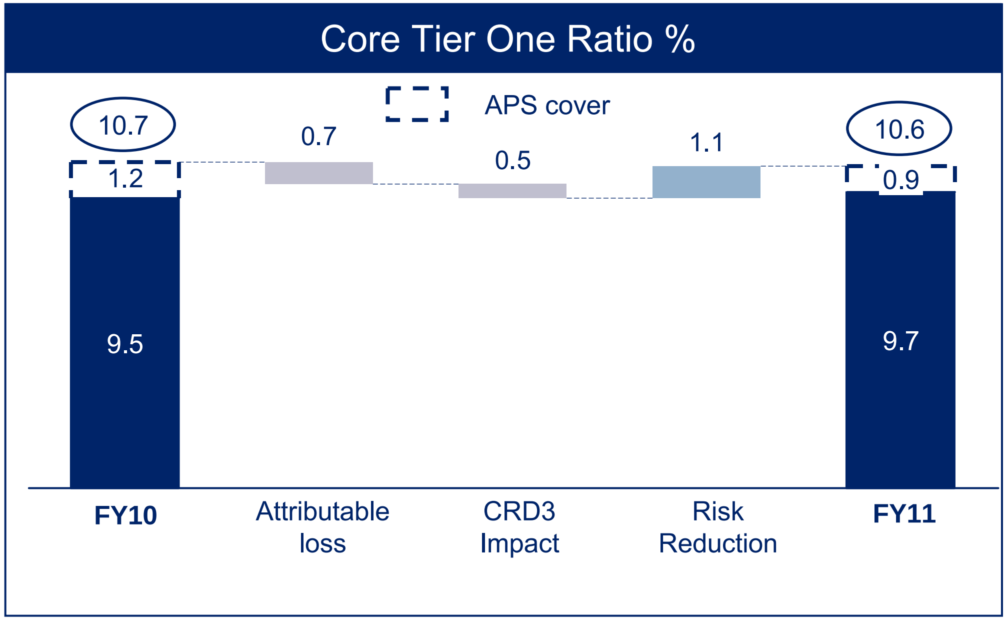
Group operating profit drivers



- Group operating profit (ex GMS) up 11% y-o-y
- Core operating profit ex Ulster and GBM up £0.7bn (15%) y-o-y
- Non-Core loss reduced y-o-y largely due to lower impairment charges (o/w £0.4bn Non-Core Ulster, £1.2bn remainder of Non-Core)

Progress on reducing risk





- Good progress on RWA reduction, Non-Core down 39% y-o-y
- Robust Core Tier 1 of 10.6% after including 50bps CRD3 impact
- APS benefit to Core Tier 1 reduced by 30bps to 0.9% (FY10 1.2%)

Net Interest Income

Net Interest Income

£m	Q211	Q311	Q411	FY11	FY10	*Y-o-Y*
Reported NII	3,233	3,078	3,076	**12,689**	**14,200**	*(11%)*
R&C NII	2,812	2,817	2,802	**11,243**	**10,911**	*3%*
Group AIEA[1] (£bn)	661.7	664.0	664.6	**662.2**	**690.0**	*(4%)*

Margin progression

%	Q211	Q311	Q411	FY11	FY10	*Y-o-Y*
Group	1.97	1.84	1.84	**1.92**	**2.01**	*(9bps)*
R&C	3.22	3.19	3.17	**3.21**	**3.14**	*7bps*
GBM	0.70	0.71	0.76	**0.73**	**1.05**	*(32bps)*
Non-Core	0.87	0.43	0.31	**0.64**	**1.16**	*(52bps)*

- R&C NII c. 90% of total; NIM stable as asset spread widening offsets liability spread compression
- Increased cost of liquidity and funding impacting GBM and Non-Core margins
- R&C AIEAs broadly flat, while elsewhere in the Group higher central bank cash balances offset run-off in GBM and Non-Core

[1] Average Interest Earning Assets.

Non-Interest Income

Non-interest Income Progression (ex fair value of own debt (FVOD))

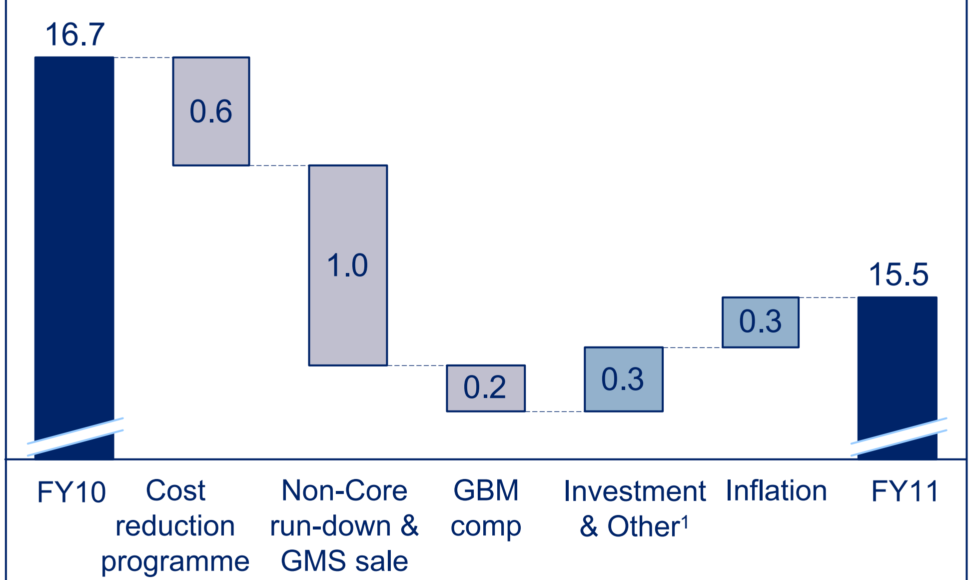
	Q211 £m	Q311 £m	Q411 £m	FY11 £m	FY10 £m	Y-o-Y %
R&C	**1,367**	**1,354**	**1,283**	**5,330**	**6,022**	**(11%)**[1]
GBM[2]	1,386	938	753	5,276	6,697	(21%)
Insurance	957	949	841	3,729	4,135	(10%)
Core[3]	**3,789**	**3,344**	**2,920**	**14,548**	**17,181**	**(15%)**[1]
Non-Core[4]	745	(64)	(377)	540	1,281	(58%)
Total	**4,534**	**3,280**	**2,543**	**15,088**	**18,462**	**(18%)**

- Subdued H211 GBM operating environment; Q1 2012 off to good start
- Insurance focused on de-risking motor book
- Non-Core impacted by disposal and de-risking losses of £0.7bn in FY11 (Q4 £0.3bn)

[1] R&C ex GMS down 4% y-o-y, Core ex GMS down 13%. [2] After reallocations between net interest income and non-interest income in respect of funding costs of rental assets, interest on financial assets and liabilities designated at fair value through profit or loss. [3] Includes other unallocated central items. [4] Including operating lease income and funding.

Group operating expenses

Cost Progression FY10-FY11, £bn



Cost Breakdown

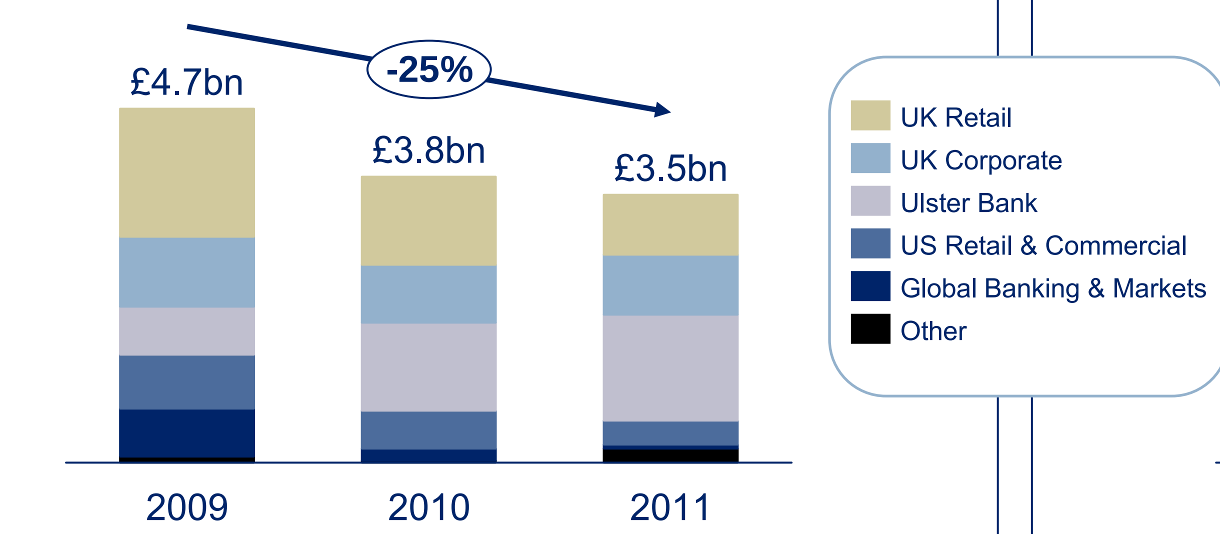
	FY11 £m	FY10 £m	Y-o-Y (%)	Q411 £m	Q311 £m
Staff costs	8,163	8,956	(9%)	1,781	1,963
Premises & equipment	2,278	2,276	0%	575	584
Other	3,395	3,716	(9%)	838	858
Administrative expenses	**13,836**	**14,948**	**(7%)**	**3,194**	**3,405**
Depreciation & amortisation	1,642	1,762	(7%)	450	416
Operating expenses	**15,478**	**16,710**	**(7%)**	**3,644**	**3,821**

- Full year expenses down 7%; cost reduction programme delivering underlying run-rate of over £3bn by year end
- Staff costs down 9% y-o-y; GBM compensation ratio at 41% with a reduction in incentive awards accrued during H111
- Group cost:income ratio rose to 62.4% while R&C cost:income ratio of 55.4% improved 70bps on 2010

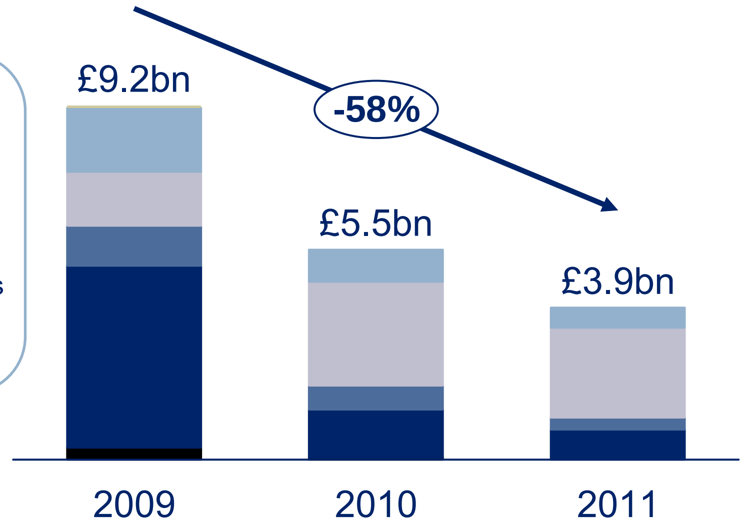
[1] Includes regulatory spend and asset write offs

Core / Non-Core impairment trends

Core Impairments



Non-Core Impairments[1]



- Good improvement in Core Retail & Commercial businesses, somewhat offset by increased Ulster Bank provisions
  - High unemployment and falling house prices has resulted in elevated residential mortgage impairments in Core Ulster
- Non-Core GBM impairments down 84% from 2009; Non-Core Ulster CRE impairments made up the bulk of the 2010 and 2011 charge. Steadily improving trend ex Ulster.

[1] Colours represent donating divisions.

Below the line items

£m	FY11	FY10	*Chg £*	Q411	Q311	*Chg £*
Fair value of own debt (FVOD)	1,846	174	*1,672*	(370)	2,357	*(2,727)*
PPI costs	(850)	-	*(850)*	-	-	-
Sovereign debt impairment[1]	(1,099)	-	*(1,099)*	(224)	(142)	*(82)*
Amortisation of purchased intangible assets	(222)	(369)	*147*	(53)	(69)	*16*
Integration and restructuring costs	(1,064)	(1,032)	*(32)*	(478)	(233)	*(245)*
LME[2] gain	255	553	*(298)*	(1)	1	*(2)*
Strategic disposals (net)	(104)	171	*(275)*	(82)	(49)	*(33)*
Bank levy	(300)	-	*(300)*	(300)	-	*(300)*
Bonus tax	(27)	(99)	*72*	-	(5)	*5*
APS[3]	(906)	(1,550)	*644*	(209)	(60)	*(149)*
Net other	(187)	(160)	*(27)*	(13)	(63)	*50*
Total ex FVOD	**(4,504)**	**(2,486)**	***(2,018)***	**(1,360)**	**(620)**	***(740)***

- FY11 below the line items charge (ex FVOD) up £2.0bn vs. 2010, driven by PPI and Sovereign impairment
- FY11 FVOD gains of £1.8bn due to spreads widening in 2011; tightening spreads in Q4 led to £370m charge
- 2009 – 2011 cumulative APS charge of £2.46bn taken through P&L, minimum APS fee is £2.5bn

[1] Greek government bonds marked at 21% of par value, 31st December 2011. [2] Liability Management Exercise. [3] APS credit default swap accounting.

Significant progress on funding & liquidity measures

£bn	Worst Point[1]	FY10	FY11	FY11 vs FY10
Funded Balance Sheet[2]	**1,227**	**1,026**	**977**	**(49)**
Liquidity Buffer[3]	**90**	**155**	**155**	**-**
Total Wholesale Funding (TWF)	**492**	**312**	**258**	**(54)**
o/w STWF[4] (<1 year)	**297**	**130**	**102**	**(28)**
Customer Deposits[5]	**-**	**431**	**437**	**6**
Net Stable Funding Ratio (NSFR) (%)	**79%**	**101%**	**111%**	**+10pps**

Key Metrics	Worst Point[1]	FY10	FY11
Loan : Deposit Ratio	**154%**	**118%**	**108%**
Liquidity Buffer[3] as % Funded Balance Sheet	**7%**	**15%**	**16%**
Liquidity Buffer[3] as % STWF[4]	**30%**	**119%**	**152%**
STWF[4] as % Funded Balance Sheet	**24%**	**13%**	**10%**
STWF[4] as % TWF[6]	**60%**	**42%**	**40%**

- Short-term wholesale funding decreased by £27bn in FY11
- Group LDR improved to 108%, Core at 94%
- NSFR increased 5pps to 111%
- Quality of deposit base improved with R&C accounting for 91% of Core deposits, vs. 87% in FY09

[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 excluding derivatives collateral. [5] Including deposits in disposal groups (£22.6bn FY11, £2.3bn FY10). [6] Total Wholesale Funding.

Raising the bar on funding & liquidity targets

	Worst Point	FY2011	New Medium-Term Goals
Loan : Deposit Ratio	154%	108%	**c.100%**
Liquidity Buffer[1] as % Funded Balance Sheet	7%	16%	**c. 15%**
Liquidity Buffer[1] as % STWF[2]	30%	152%	**>150%**
STWF[2] as % Funded Balance Sheet	24%	10%	**<10%**
STWF[2] as % TWF[3]	60%	40%	**<45%**

- Significant progress made on all aspects of funding & liquidity
- Majority of 2013 balance sheet goals already met
- Medium-term goals revised to reflect progress made and more conservative posture given market funding dynamics

[1] Liquidity buffer reserves comprise cash at central banks and eligible unencumbered government and other debt securities. [2] Short Term Wholesale Funding excluding derivatives collateral.
[3] Total Wholesale Funding.

Funding and liquidity vs. peers

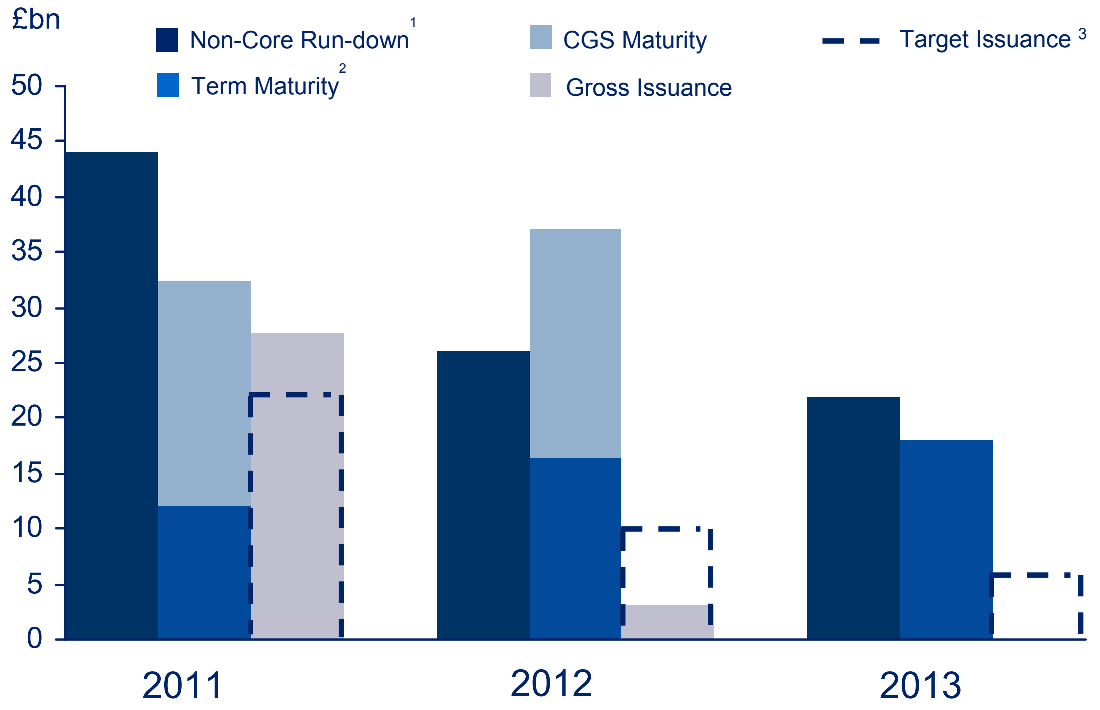
Key Metrics	RBS FY11	UK Peers[4] H111	EU Peers[4] H111	Better than Peers UK	Better than Peers EU
Loan : Deposit Ratio (Group/Core)	108% / 94%	113%	99%	✓ / ✓	X / ✓
Liquidity Buffer[1] as % Funded Balance Sheet	16%	16%	8%	✓	✓
Liquidity Buffer[1] as % STWF[2]	152%	119%	67%	✓	✓
STWF[2] as % Funded Balance Sheet	10%	14%	13%	✓	✓
STWF[2] as % TWF[3]	40%	55%	48%	✓	✓
Deposits as % Total Funding	63%	50%	45%	✓	✓

- RBS 2011 funding & liquidity metrics compare well to peers
- Targeting further improvement across all metrics which should place the Group in a top quartile funding and liquidity position by 2013/4

[1] Liquidity buffer reserves comprise cash at central banks and eligible unencumbered government and other debt securities as far as we are able to determine from public disclosures. Debt securities held for trading are excluded from the liquidity buffer metrics above. [2] Short Term Wholesale Funding. [3] Total Wholesale Funding – the majority of peer banks did not disclose their liquidity profiles for H1 11, therefore we used the FY 10 liquidity profiles to pro-rated H1 11 balance sheets of most peer banks. Wholesale funding includes cash collateral as most of the peer banks do not disclose cash collateral separately from other deposits.
[4] Peers include Barclays, Lloyds, HSBC, BNP Paribas, Credit Suisse, Deutsche Bank, Santander and UBS

Funding: Issuance

Asset reduction lessens market funding requirement

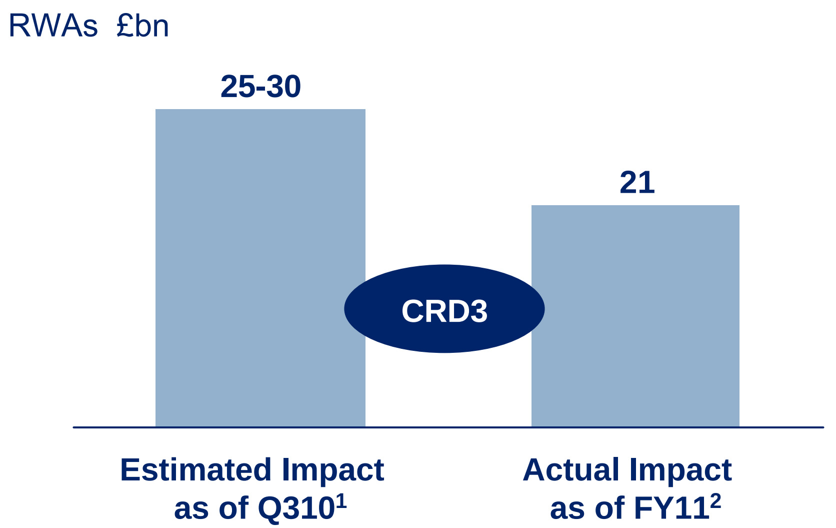


- FY11 net issuance of £20bn[4] in line with £20bn target:
  - £5bn private
  - £10bn public secured
  - £5bn public unsecured
- Issuance in 2012 will be primarily private placements and secured funding, little requirement for public unsecured
- CGS term funding outstanding of £21.3bn at FY11, will be fully repaid by end June 2012:
  - Q112 £15.6bn
  - Q212 £5.7bn

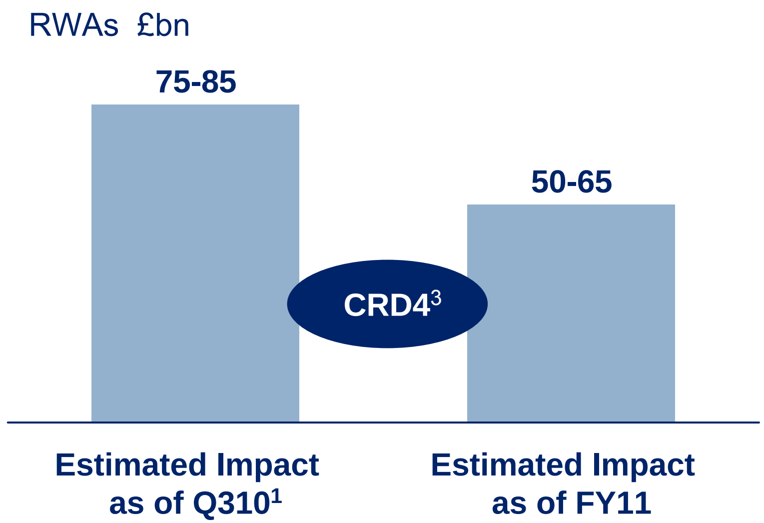
[1] Non-Core third party assets excluding derivatives. [2] Unguaranteed term debt and subordinated liabilities contractual maturity. [3] 2012 and 2013 targets are shown net of buy backs of certain privately issued debt estimated at c.£5bn per annum. [4] Net of debt buy-back.

Indicative RWA regulatory impacts

What we have already done



Further regulatory impacts

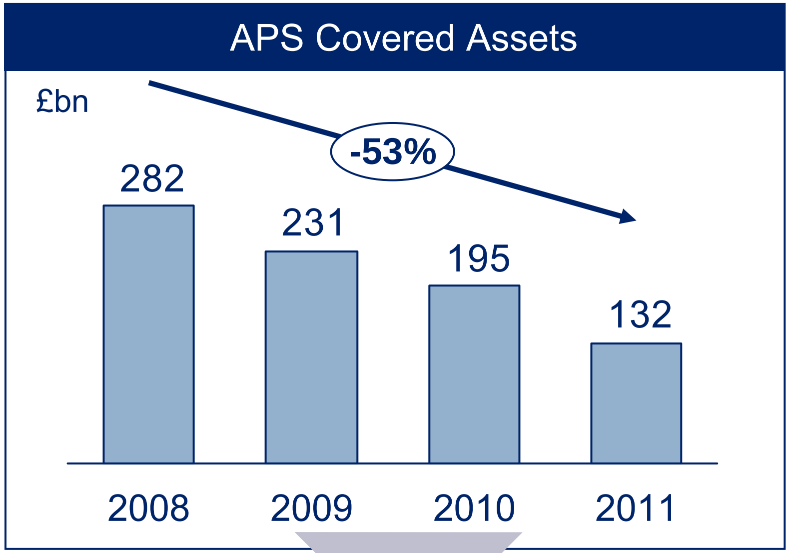


- FY11 CRD3 impact of £21bn, modestly below initial estimates
- CRD4 and credit models impact now managed down to £50-65bn; continue to work on further mitigation
- CRE slotting c. £20bn addition to RWAs will reduce some of the estimated benefit

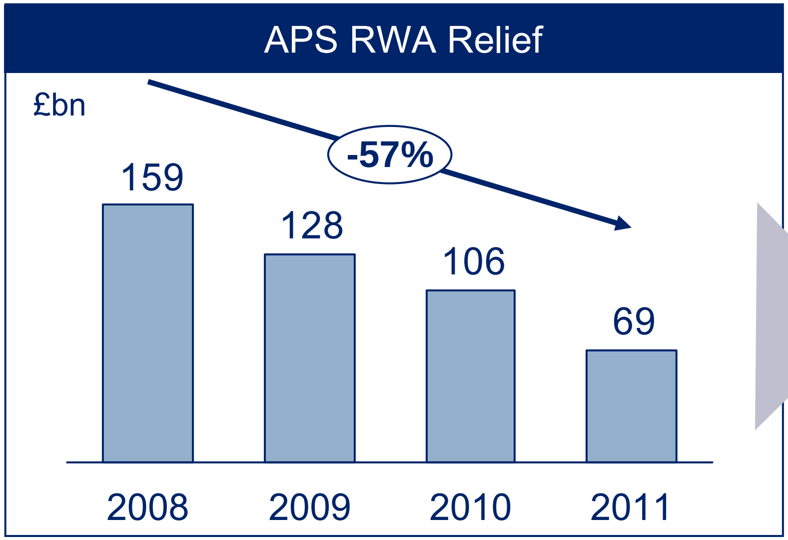
[1] Announcement date. [2] Actual impact in December 2011. [3] Includes CRD4 and credit models.

APS update

- APS scheme has provided enhanced capital strength, reduced risk and facilitated Non-Core run-down
- APS covered assets have more than halved since 2008, while CT1 benefit has declined to 0.87% 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
- Future benefits now outweighed by the cost (c. £500m pa)
- Exit is favoured course in Q412, subject to FSA approval



APS covered assets already reduced by over 50%



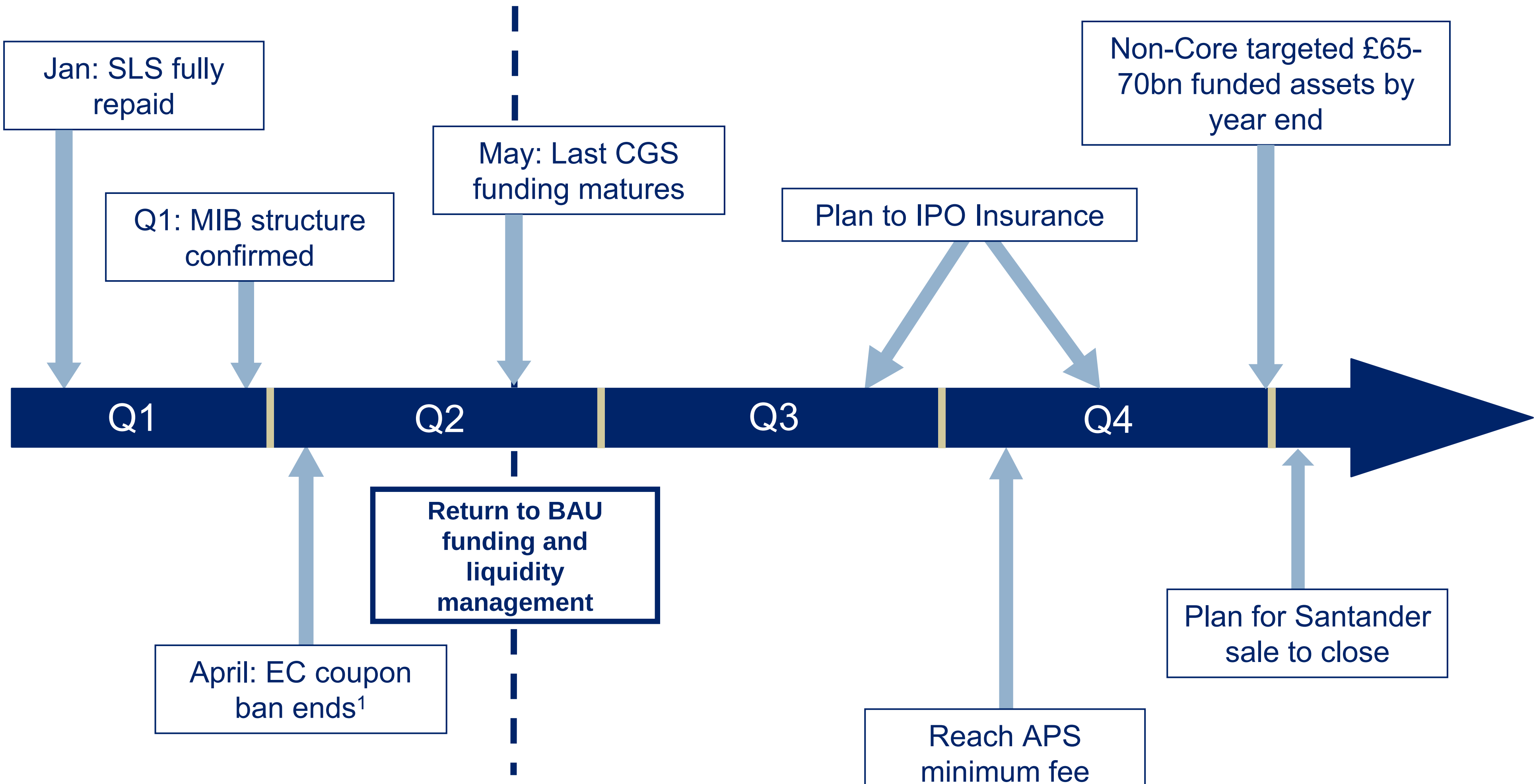
RWA relief under half of 2008 figure, making scheme less beneficial

[1] Asset Protection Agency.

Outlook

R&C Operating Profit	■ Continued improvement expected, driven by positive developments in US and Ireland
NIM	■ Group NIM forecast to be stable; GBM and Non-Core balance sheet reduction benefit NIM
GBM - Markets	■ Transitioning to FICC focus, less balance sheet use ■ Top line market-dependent; Q1 off to a good start
Insurance	■ Returns to improve to mid teens, IPO plan on track
Non-Core run-down	■ Target c. £65-70bn end of 2012
Below the line items	■ Ex FVOD, expect sizeable improvement (non-repeat of PPI, Greek bond impairment, lower APS) ■ Restructuring costs increase from £1.1bn 2011 to £1.6bn 2012
Ulster Bank	■ Core impairments expected to gently improve ■ Non-Core losses to decline, driven by lower impairments
Balance Sheet Management	■ Further reduction in short-term wholesale funding in 2012 to £65bn, assets to c. £875bn

Milestones in 2012



[1] EC ban ends for RBS Group, RBS plc and NatWest plc. RBS NV ban ends April 2013.

Conclusions

Core Franchises	■ Resilient R&C performance, especially UK businesses ■ Continued improvement from US R&C and Insurance ■ GBM: RoE of 8%, FY11 profit of £1.6bn – performance in the pack of peers
Non-Core and Risk	■ Non-Core TPAs below 2011 target, now <10% of Group funded assets ■ Good progress on Non-Core risk reduction with focused action on capital intensive assets and monoline exposures ■ Non-Core Ulster impairments decline
Balance Sheet	■ Group LDR improved to 108%, Core 94% ■ 2012's term funding requirement reduced to c. £10bn[1]; will repay all CGS debt by Q2 ■ Provision balance up £1.8bn in the year to £19.9bn, REIL coverage at 49%
Capital position	■ Core Tier 1 ratio robust at 10.6%, including CRD3 impact; lower APS benefit ■ Well-positioned to support business plan and absorb further regulatory capital increases

[1] Net funding requirement.

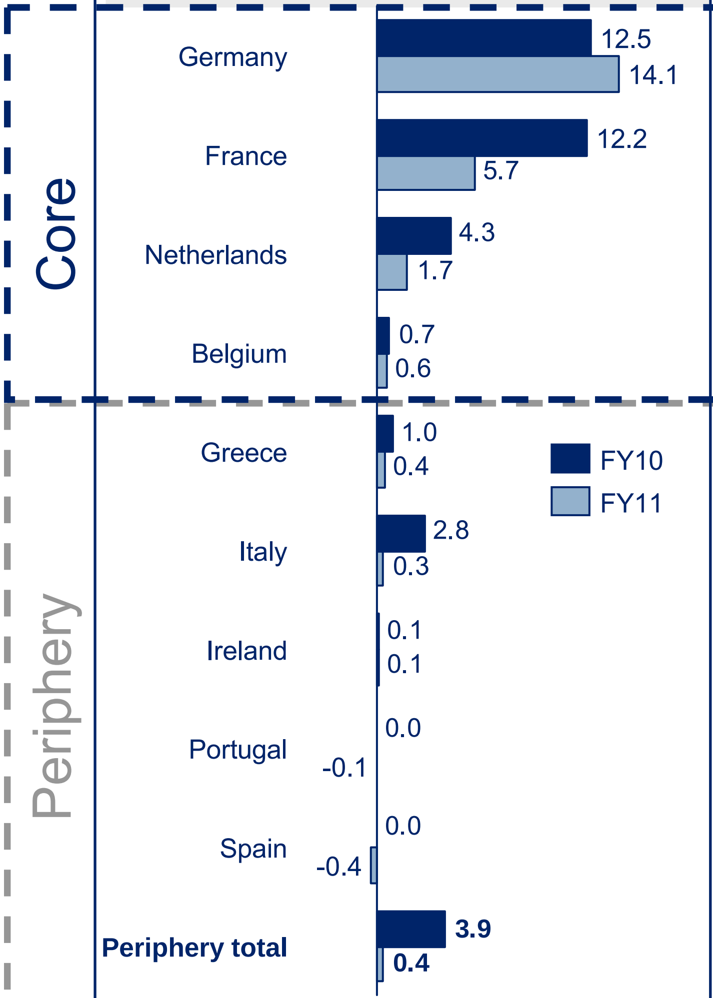
Questions?

Appendix I

Manageable Eurozone exposures

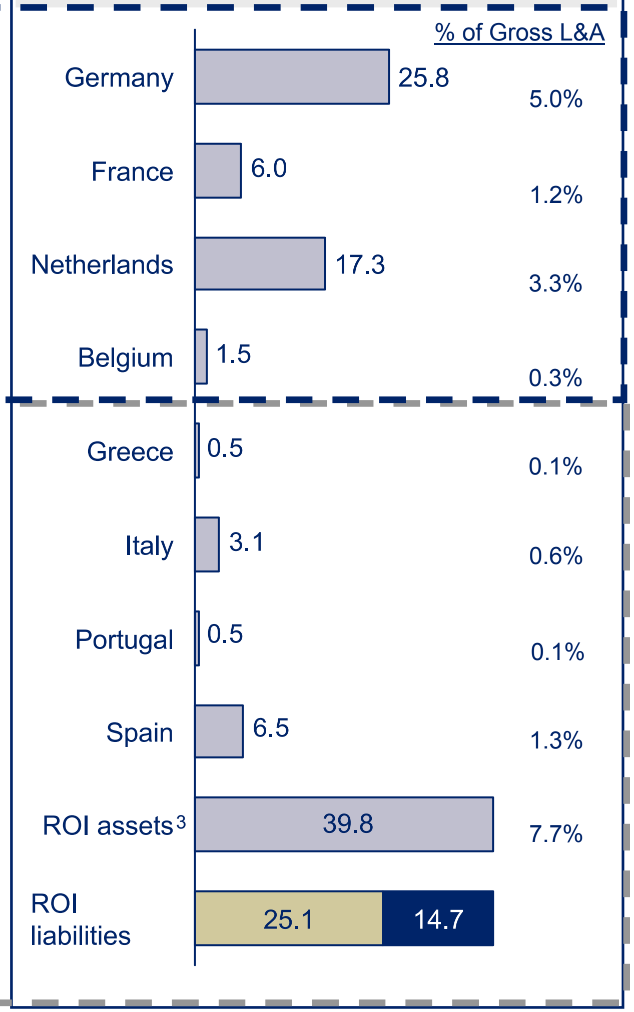
Sovereign Exposure (£bn)[1]

Modest peripheral government bond exposure



Lending Exposure (£bn)[2]

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



- 90% reduction in periphery government bond exposure in 2011
- Ex Ireland, lending is primarily to large GBM multi-national customers
- Long established domestic in-market bank in Ireland
- Eurozone exposures to 'hard currency' countries outweigh peripheral exposures

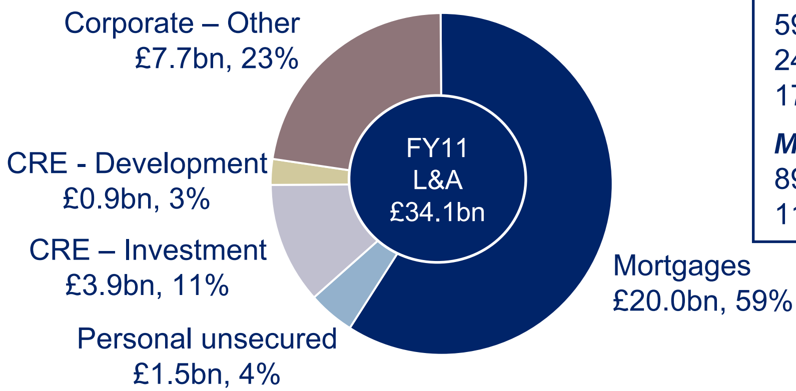
■ Funded with Intra-Group loans and equity

■ 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.

Update on Ireland – Asset deep dive

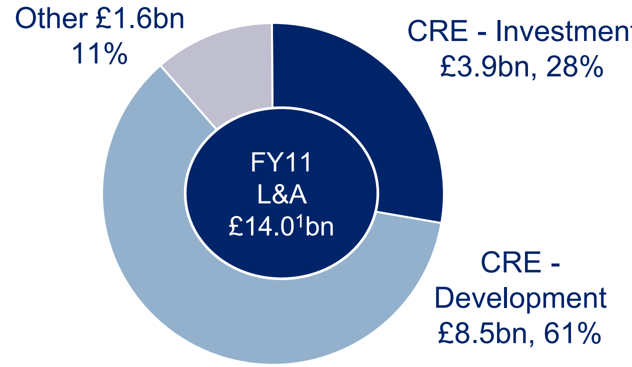
Ulster Bank – Core gross L&A, £34.1bn



CRE:
59% RoI
24% NI
17% UK

Mortgages:
89% RoI
11% NI

Ulster Bank – Non-Core gross L&A, £14.0bn

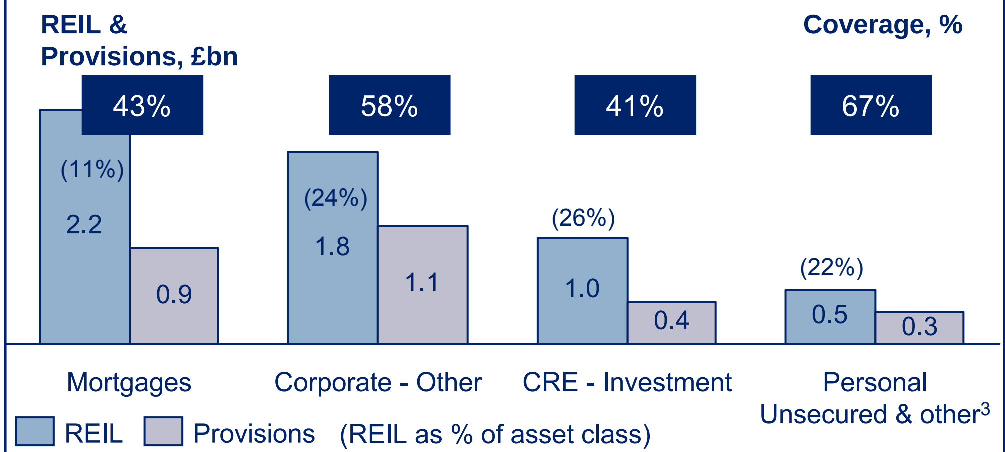


CRE:
64% RoI
27% NI
9% UK

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

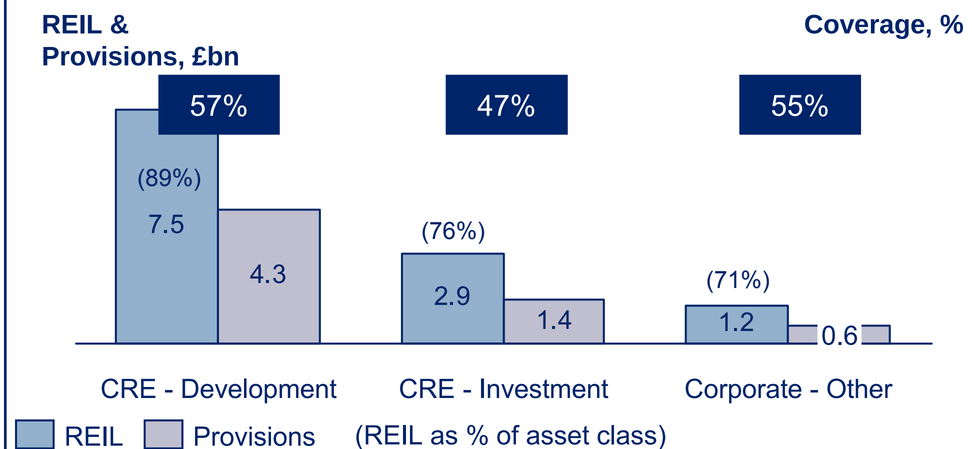
Total coverage 50%

'In the pack' vs peers



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

Total coverage 54%



[1] Excludes EMEA L&A of £0.4bn. [2] Provisions as a % of REIL. [3] Includes Core CRE Development lending REIL of £290m and provisions of £145m.

Appendix II – Sustainability slides

Sustainability principles

We believe that balancing the needs of all our stakeholders is the best way to deliver sustainable commercial success. That's why we're committed to being....

…Secure
- Maintaining our financial health whilst meeting our responsibilities to customers, employees and suppliers
- Keeping our customers' and employees' data and assets safe
- Protecting against fraud and corruption

…A Responsible Citizen
- Working within both the letter and spirit of legislation and abiding by relevant codes of practice and voluntary standards
- Supporting the communities we work in
- Respecting human rights throughout our sphere of influence
- Upholding environmental responsibility within the bank, and through our customers and suppliers

…Supportive
- Meeting our customers needs
- Supporting sustainable and inclusive economic growth
- Helping customers in financial difficulty

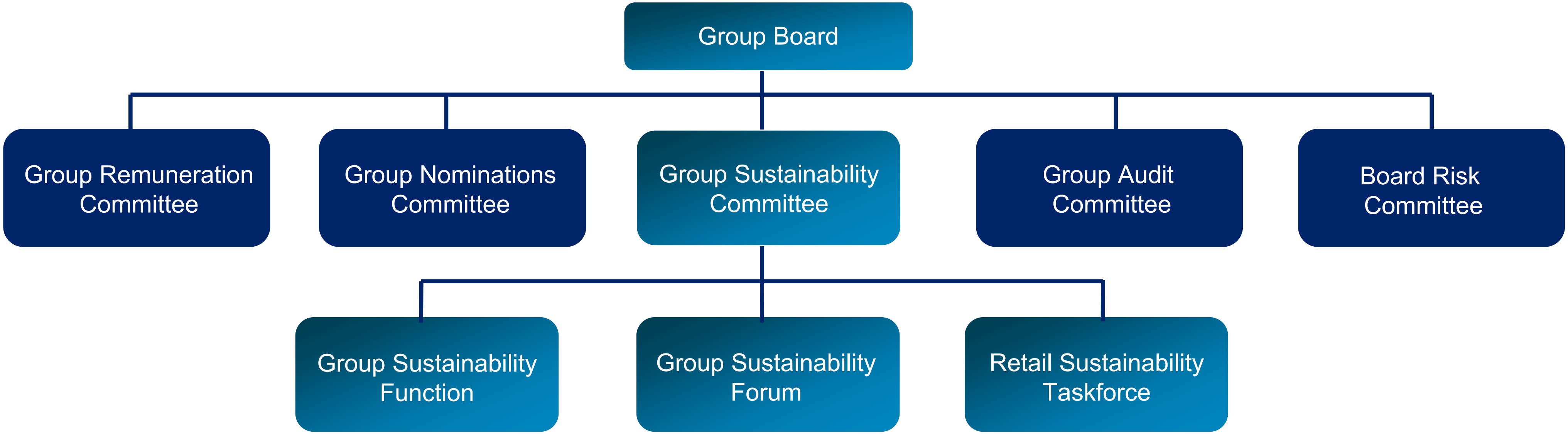
…Open
- Consulting with and listening to our stakeholders
- Showing transparency in the way we run our business
- Publicly communicating our efforts to be responsible and sustainable

…A Good Employer
- Providing our people with the tools and support to do their jobs effectively and develop their skills
- Valuing and promoting diversity in all areas of recruitment and employment
- Rewarding our people fairly for their work

Sustainability governance

The Group Sustainability Committee is a Board Committee chaired by Sir Sandy Crombie, Senior Independent Director, RBS Group. Representatives from all business areas sit on the Committee, including:

- **Brian Hartzer** *CEO, UK Retail*
- **John Hourican** *CEO, Global Banking & Markets*
- **Chris Sullivan** *CEO, Corporate Banking Division*
- **Paul Geddes** *CEO, RBS Insurance*
- **Caroline Rainbird** *Director, Corporate Services*
- **Robert Matthews** *Vice Chairman, Citizens*
- **Elaine Arden** *Group Human Resources Director*
- **Nathan Bostock** *Head of Restructuring & Risk*
- **Chris Campbell** *Group General Counsel*
- **Andrew Wilson** *Head of Group Communications*
- **Andrew Cave** *Head of Group Sustainability*



Our five key sustainability themes

The Sustainability Programme focuses on five key themes that are built on the foundation of good governance and financial sustainability, which is key to the Group's overall success.

Fair banking

- We helped 18,000 first-time buyers into new homes in the UK through the provision of £2.2bn in lending
- We served more than 400 communities using our 19 mobile branches
- We gave nearly 35,000 MoneySense lessons on how to manage your money to over 386,000 school children

Supporting enterprise

- We provided 48p in every £1 lent to UK small and medium-sized businesses
- We opened nearly 120,000 new start-up accounts in the UK
- Our microfinance projects in India have supported over 60,000 households

Employee engagement

- We gave over 50,000 employees 235,000 hours off work to volunteer in their community
- We recruited over 8,000 16-24 year olds across the Group

Safety and security

- Our reportable injury rate has fallen by 44%
- Our free online protection software has been downloaded over 6.4 million times
- We invested $1.4m in the US and £2.8m in the UK and Ireland to strengthen the security of our branches

Citizenship and environmental sustainability

- We invested £72 million in the communities in which we operate
- We support the green economy – we lent more than two-thirds of our energy project finance to UK renewables
- We developed specific ESE Risk Policies for four sectors: oil and gas, mining and metals, defence and forestry

Sustainability indices and performance

We have been a signatory of the Equator Principles since its inception in 2003 and RBS is chair of the UNGC UK Network

EQUATOR PRINCIPLES

THE GLOBAL COMPACT

We are included in the Dow Jones Sustainability Leadership Index and in the FTSE4Good Index

Dow Jones Sustainability Indexes
Member 2009/10

FTSE4Good

We attained the AA1000 assurance standard for the 3rd year running and also followed the new GRI 3.1 guidelines in 2010

AA1000
Licensed Assurance Provider
000-3

Global Reporting Initiative™

Included in Carbon Disclosure Project leadership index and our 2010 Report was rated 4th in the FTSE350 for best practice assurance by Carbon Smart

CARBON DISCLOSURE PROJECT

carbon SMART