The Royal Bank of Scotland Group

Q1 2012 Results

4th May 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, divestments, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets (RWAs), return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; discretionary coupon and dividend payments; certain ring-fencing proposals; sustainability targets; the Group's future financial performance; the level and extent of future impairments and write-downs, including sovereign debt impairments; the protection provided by the Asset Protection Scheme (APS); and the Group's potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: the global economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on the Group in particular;; the ability to implement strategic plans on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the State Aid restructuring plan; organisational restructuring, including any adverse consequences of a failure to transfer, or delay in transferring, certain business assets and liabilities from RBS N.V. to RBS; the ability to access sufficient sources of liquidity and funding; deteriorations in borrower and counterparty credit quality; litigation and regulatory investigations including investigations relating to the setting of LIBOR and other interest rates; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the United States; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group; ineffective management of capital or changes to capital adequacy or liquidity requirements; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group's operations) in the United Kingdom, the United States and other countries in which the Group operates or a change in United Kingdom Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the implementation of recommendations made by the Independent Commission on Banking (ICB) and their potential implications; impairments of goodwill; pension fund shortfalls; general operational risks; HM Treasury exercising influence over the operations of the Group; insurance claims; reputational risk; the ability to access the contingent capital arrangements with HM Treasury; the participation of the Group in the APS and the effect of the APS on the Group's financial and capital position; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group's activities as a result of HM Treasury's investment in the Group; and the success of the Group in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this announcement, and the Group does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Business Highlights

Robust operating profit:
- £1.2bn Group operating profit in Q112 vs £144m loss in Q411
- Core operating profit of £1.7bn; RoE of 11%, 14.4% excluding Ulster Bank
- Rebound from subdued client activity levels in Markets

Risk reduction continues apace:
- Funded assets reduced £27bn to £950bn; Non-Core funded assets reduced to £83bn
- Group impairments declined 22% to £1.3bn, driven by a c£260m reduction in Non-Core
- Investment Bank restructuring progressing well; cash equities business exited

Capital, Liquidity and Funding position further strengthened:
- Core Tier One ratio improved to 10.8%
- Short-term wholesale funding reliance declined £23bn to £80bn
- Group LDR improved 2% to 106%; Core LDR improved 1% to 93%

Progress to standalone strength:
- SLS paid, CGS to be repaid by mid May
- Successful Liability Management Exercise delivers £0.6bn profit
- Resumption of Preference Share dividends, 1 for 10 ordinary share consolidation

Financial highlights

Core Business:

	Q112	
Operating profit[1]	£1.7bn	+46% q-o-q driven by improved performance in Markets business
Return on Equity[2]	11%	14.4% excluding Ulster Bank
R&C NIM	2.91%	+1bp q-o-q; wholesale funding reduction offsets mix towards secured lending and lower swap rates
Cost : income ratio[1,3]	60%	2% improvement q-o-q driven by non-staff expenses
Impairments	£0.8bn	12% reduction despite ongoing elevated charges in Ulster Bank
Loan : deposit ratio[4]	93%	Remains ahead of target; loan demand subdued ex UK Retail & US R&C

Group Progress:

	Q112	
Operating profit[1]	£1.2bn	Reduced Non-Core losses and rebound in Markets performance
Non-Core funded assets	£83bn	£11bn funded asset reduction q-o-q; remains on target for YE range £65-70bn
Capital strength	10.8%	Further improvement in capital strength reflecting ongoing risk reduction
Pre-tax loss	£1.4bn	After £2.5bn own credit adjustment charge

[1] Excluding own credit adjustment (OCA). [2] Equity allocated based on share of Group tangible equity. [3] Adjusted C:I ratio net of insurance claims. [4] Net of provisions.

Progress against plan

Group – Key performance indicators	Worst point	Q112	Medium-term Target
Balance sheet & risk:			
Loan : deposit ratio (net of provisions)	154%[1]	106%	c100%
Short-term wholesale funding[2]	£297bn[3]	£80bn	<10% TPAs
Liquidity portfolio[4]	£90bn[3]	£153bn	>1.5x STWF
Leverage ratio[5]	28.7x[6]	16x	<18x
Core Tier 1 Capital ratio	4%[7]	10.8%	>10%
Value drivers:			
Return on Equity (RoE)[9]	(31%)[8]	11%	>12%
Cost : income ratio[11]	97%[10]	60%	<55%

- Capital and Funding targets in good shape; Basel III to come
- Prioritising:
  - Safety and soundness of the Group
  - Ongoing reduction in wholesale funding
  - An appropriate liquidity buffer

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

Core performance

	Q112 £m	Q411 £m	Q111 £m	Q112 vs. Q411 %
Net Interest Income	2,943	2,977	3,103	(1%)
Non Interest Income	3,919	3,022	4,575	30%
Income	**6,862**	**5,999**	**7,678**	**14%**
Operating Expenses	(3,721)	(3,330)	(3,798)	12%
Claims	(649)	(590)	(784)	10%
PBIL[1]	**2,492**	**2,079**	**3,096**	**20%**
Impairment Losses	(825)	(941)	(872)	(12%)
Operating Profit	**1,667**	**1,138**	**2,224**	**46%**
Of which: R&C	903	1,033	1,160	(13%)
Markets	824	(109)	1,029	n.m.
Direct Line Group	84	125	67	(33%)

- Core performance driven by Markets' return to profitability
- Direct Line Group result reflects claims seasonality; profit up 25% y-o-y

[1] Profit before Impairment Losses.

Core by division

UK Retail	Q112 £m	Q411 £m	Q112 vs. Q411	Q112 vs. Q111
Income	1,267	1,309	(3%)	(9%)
PBIL	632	649	(3%)	(11%)
Impairments	(155)	(191)	(19%)	(20%)
Operating profit	477	458	4%	(8%)
UK Corporate				
Income	1,201	1,177	2%	(5%)
PBIL	668	642	4%	(8%)
Impairments	(176)	(236)	(25%)	64%
Operating profit	492	406	21%	(20%)
Wealth				
Income	290	280	4%	7%
PBIL	55	86	(36%)	(27%)
Impairments	(10)	(13)	(23%)	100%
Operating profit	45	73	(38%)	(36%)
Int'l Banking				
Income	542	593	(9%)	(16%)
PBIL	132	208	(37%)	(40%)
Impairments	(35)	(56)	(38%)	n.m.
Operating profit	97	152	(36%)	(57%)

UK Retail

- Narrowing of liability margins, subdued consumer activity and lower fees drove 3% reduction in income
- 19% reduction in impairments driven by the unsecured book
- 2% deposit growth q-o-q due to higher savings and current account balances

UK Corporate

- RoE of 16% due to Non Interest Income growth and lower impairments
- Costs well controlled with discretionary spend efficiencies
- Growth still limited in loans and deposits

Wealth

- 7% NII growth reflecting improved deposit margins and stronger investment income
- Cost growth driven by phasing of FSCS levies and regulatory fine
- AUM increased 2% given recovery in markets

International Banking

- Ex run-off businesses, income fell £28m due to targeted loan run-off, subdued corporate activity and low interest rates
- Trade Finance up 7% q-o-q due primarily to fee business in Asia; Cash Management +11%
- Impairment reduction due to non-repeat of Q4 single name

Core by division

Ulster Bank	Q112 £m	Q411 £m	Q112 vs. Q411	Q112 vs. Q111
Income	214	226	(5%)	(8%)
PBIL	84	94	(11%)	(13%)
Impairments	(394)	(327)	20%	(15%)
Operating loss	(310)	(233)	33%	(15%)
US R&C ($m)				
Income	1,188	1,243	(4%)	2%
PBIL	191	381	(50%)	(42%)
Impairments	(31)	(102)	(70%)	(82%)
Operating profit	160	279	(43%)	7%
Markets				
Income	1,734	692	151%	(18%)
PBIL	826	(52)	n.m.	(20%)
Impairments	(2)	(57)	(96%)	n.m.
Operating profit/loss	824	(109)	n.m.	(20%)
Direct Line Group				
Income	876	863	2%	(13%)
Claims	(649)	(589)	10%	(17%)
Operating profit	84	125	(33%)	25%

Ulster Bank

- Income reduction reflects higher funding costs
- Growth in impairments due to lower residential property prices
- Environment remains challenging

US R&C

- Underlying operating profit up $18m; reported down $119m due to lower securities gains and overdraft fees litigation settlement
- 2% growth in loans due to strong commercial trends

Markets

- Q112 operating profit of £824m vs £109m loss in Q411
- Result achieved despite y-o-y TPA reduction of c.20%
- Strength in Rates and Asset Backed Products

Direct Line Group

- Normal seasonal uptick in weather related claims
- Accelerated marketing expenditure partly driving cost growth
- GWP up 10% partly due to Motor policy seasonality

Markets restructuring – progress to date

Business restructure

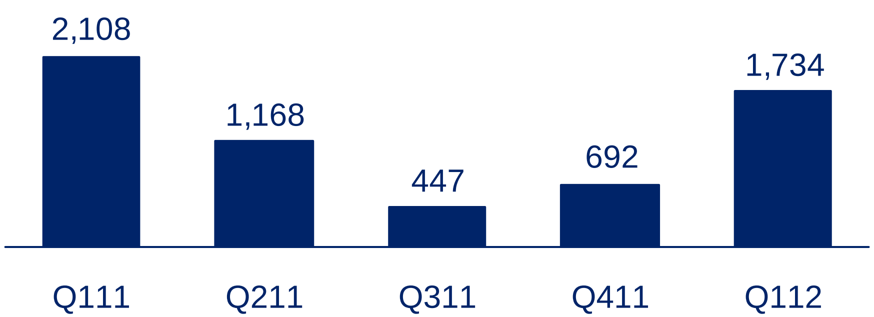
- January – Divisional re-structure announced
- February – RBS Hoare Govett sold to Jefferies
- April – Dutch Cash Equities, Corporate Finance and ECM sold to ABN AMRO
- April – Agreed sale of selected APAC Cash Equities, ECM and Corporate Finance businesses to CIMB
  - Cash consideration of c.£75m
  - Final completion expected by Q412

Cost management

- Restructuring costs of c.£270m[1] taken in Q112
- Previous guidance c.£550m[1] remains with majority to fall in 2012
- Headcount primary driver of cost synergies
  - 3,500[1] FTE by 2014
  - On track, c.700 achieved to date

Quarterly performance

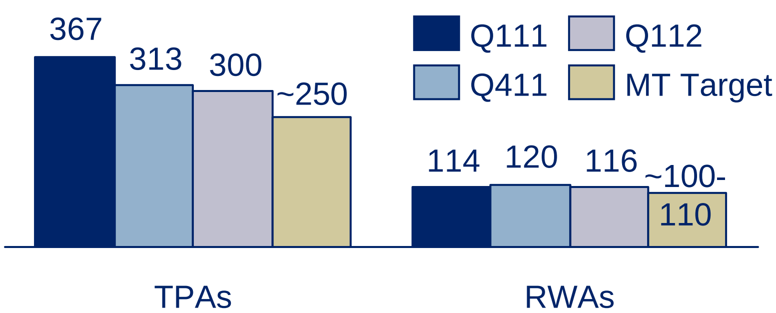
Quarterly revenues, £m



- Robust performance despite c.20% y-o-y reduction in balance sheet
- Q1 strength in Rates & Asset Backed Products

Balance Sheet and Capital

TPAs and RWAs[2], £bn



- Emphasis on reducing short-term unsecured funding and improving quality of funding
- Reducing balance sheet risk ahead of CRD4

[1] Includes International Banking. [2] Ongoing businesses.

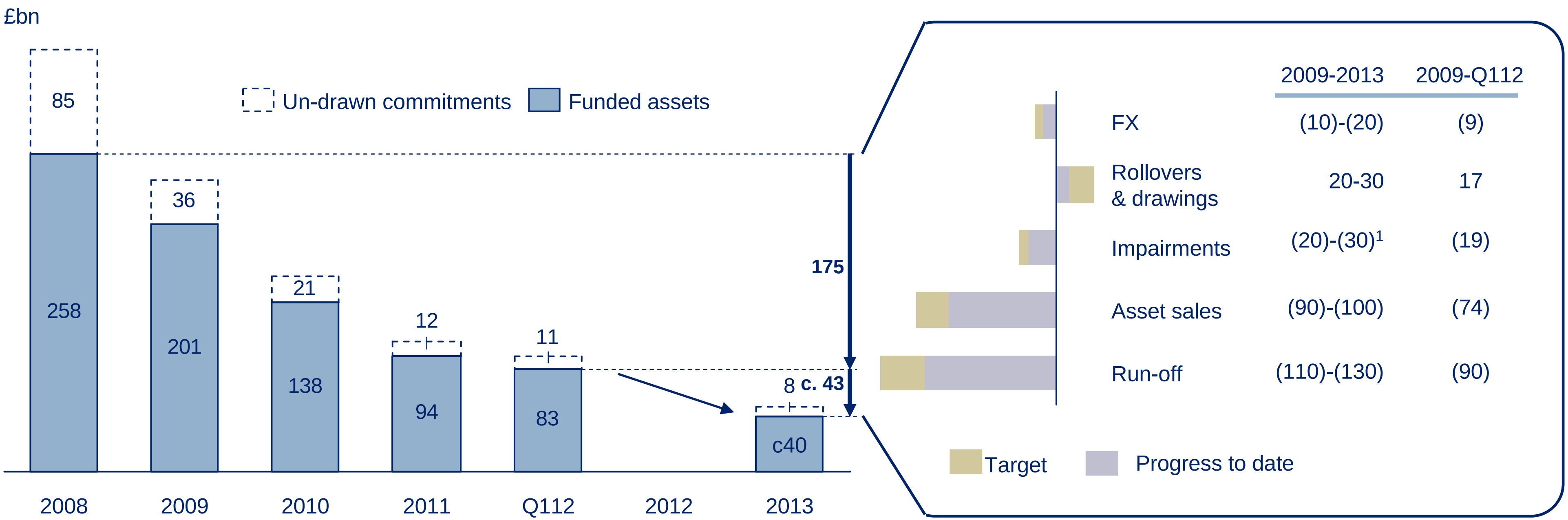
Non-Core performance

£m	Q112	Q411	Q111	Q112 vs. Q411	Q112 vs. Q111
Net Interest Income (NII)	115	155	252	(40)	(137)
Non-Interest Income	154	(433)	183	587	(29)
Total Income / (Loss)[1]	**269**	**(278)**	**435**	**547**	**(166)**
o/w de-risking (losses)	*(215)*	*(258)*	*(190)*	*43*	*(25)*
o/w disposal gains/(losses)	*182*	*(36)*	*(34)*	*218*	*216*
Operating Expenses	(263)	(314)	(323)	51	60
Profit before other operating charges	**6**	**(592)**	**112**	**598**	**(106)**
Claims	-	61	(128)	(61)	128
Impairment Losses	(489)	(751)	(1,075)	262	586
o/w Ulster Bank[2]	*(264)*	*(245)*	*(839)*	*(19)*	*575*
o/w Other	*(225)*	*(506)*	*(236)*	*281*	*11*
Operating Loss	**(483)**	**(1,282)**	**(1,091)**	**799**	**608**
TPAs[3], £bn	83	94	125	(11)	(42)
RWAs, £bn	90	93	129	(3)	(39)
Impairments as % Loans & Advances	2.7%	3.7%	4.0%	(100bps)	(130bps)

- £799m reduction in losses driven by disposal gains, positive FV moves, improved credit trends and non-repeat of Q4 commutation costs
- £262m reduction in impairments with general improvement ex Ulster Bank; Ulster accounts for 54% of divisional charge

[1] Excludes IFRS5 disposals. [2] Includes EMEA related impairments of £4m in Q112, £2m Q411 and £6m Q111. [3] Third party assets, excluding derivatives.

Good progress in Non-Core run-down



	2009-2013	2009-Q112
FX	(10)-(20)	(9)
Rollovers & drawings	20-30	17
Impairments	(20)-(30)[1]	(19)
Asset sales	(90)-(100)	(74)
Run-off	(110)-(130)	(90)

- Funded assets reduced by a further £11bn to £83bn; half disposals, half run-off
- £5bn of signed but not completed deals including Aviation Capital
- Remain on target to achieve year end range of £65-70bn funded assets
- RWAs decline £3bn to £90bn

[1] Excludes FY08 impairments of £4.9bn.

Group financial highlights

	Q112 £m	Q411 £m	Q111 £m	Q112 vs. Q411	Q112 vs. Q111
Income	**7,131**	**5,721**	**8,113**	**25%**	**(12%)**
Operating Expenses	(3,984)	(3,644)	(4,121)	9%	(3%)
Claims	(649)	(529)	(912)	23%	(29%)
PBIL	**2,498**	**1,548**	**3,080**	**61%**	**(19%)**
Impairment Losses	(1,314)	(1,692)	(1,947)	(22%)	(33%)
Operating Profit/(Loss)	**1,184**	**(144)**	**1,133**	**n.m.**	**5%**
One-off and other items[1]	**(2,588)**	**(1,832)**	**(1,249)**	**41%**	**107%**
Profit/(Loss) Before Tax	**(1,404)**	**(1,976)**	**(116)**	**(29%)**	**n.m.**
Attributable Profit/(Loss)	**(1,524)**	**(1,798)**	**(528)**	**(15%)**	**n.m.**
Net interest margin	1.89%	1.84%	2.03%	5bps	(14bps)
Cost:income ratio[2]	61%	70%	57%	(900bps)	400bps

Capital & Balance Sheet	31 Mar 12	31 Dec 11	Change
Funded balance sheet	**£950bn**	**£977bn**	**(3%)**
Risk-weighted assets[3] (pre APS)	**£496bn[3]**	**£508bn[3]**	**(2%)**
Core tier 1 ratio	**10.8%**	**10.6%**	**20bps**
Net tangible equity per share	**48.8p**	**50.1p**	**(3%)**

[1] Includes own credit adjustment, restructuring & integration costs, APS CDS fair value changes, credit market event, gain on redemption of own debt, PPI and strategic disposals. See slide 17 for breakdown. [2] Calculated using income net of insurance claims. [3] Excludes £62bn RWA relief as of 31st March 2012 and £69bn RWA relief as of 31st December 2011.

Group Net Interest Income

Net Interest Income					
£m	**Q211**	**Q311**	**Q411**	**Q112**	***Y-o-Y***
Reported NII	3,233	3,078	3,076	**3,007**	*(9%)*
R&C NII	2,978	2,962	2,912	**2,848**	*(4%)*
Group AIEA[1] (£bn)	661.7	664.0	664.6	**641.4**	*(3%)*

Margin progression					
%	**Q211**	**Q311**	**Q411**	**Q112**	***Q-o-Q***
Group	1.97	1.84	1.84	**1.89**	*5bps*
R&C	2.99	2.94	2.90	**2.91**	*1bp*
Non-Core	0.83	0.50	0.42	**0.31**	*(11bps)*

- Lower NII reflects balance sheet shrinkage
- Group NIM improvement of 5bps due to:
  - Repayment of government backed debt issuance lowering funding costs
  - Partially offset by increased low yielding Central Bank liquidity balances
  - Outlook stable

[1] Average Interest Earning Assets.

Group Non-Interest Income

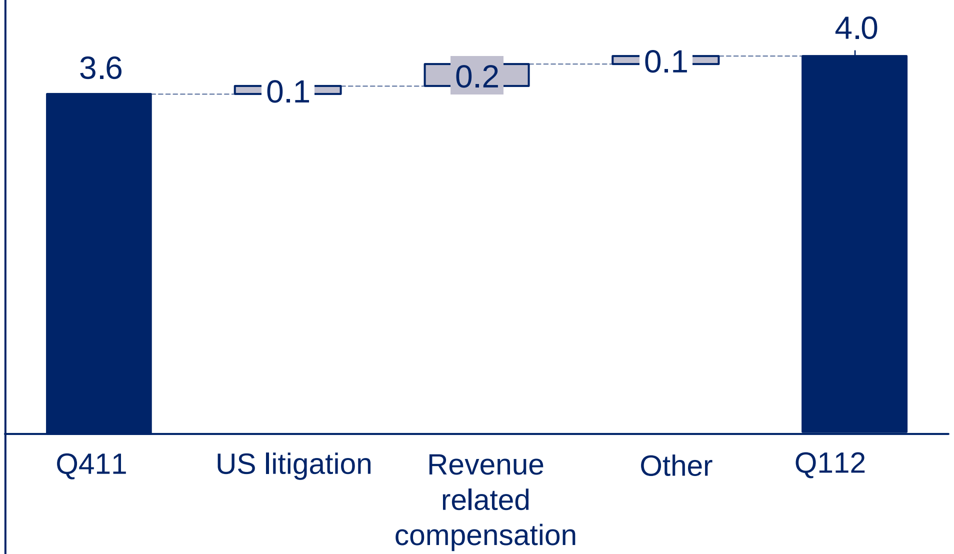
Non-interest Income Progression (ex own credit adjustment (OCA))					
	Q211	Q311	Q411	Q112	Q-o-Q
	£m	£m	£m	£m	%
R&C	**1,601**	**1,569**	**1,463**	**1,422**	(3%)
Markets	1,162	453	669	1,710	n.m.
Insurance	957	951	841	882	5%
Core[1]	**3,804**	**3,079**	**3,022**	**3,919**	30%
Non-Core	693	(118)	(433)	154	n.m.
Total	**4,549**	**3,015**	**2,645**	**4,124**	**56%**

- Markets performance driven by higher Rates and Asset Backed Products revenues from improved market conditions
- Non-Core benefits from lower disposal and de-risking costs along with better market conditions

[1] Includes Central Items.

Group operating expenses

Cost Progression Q411-Q112, £bn



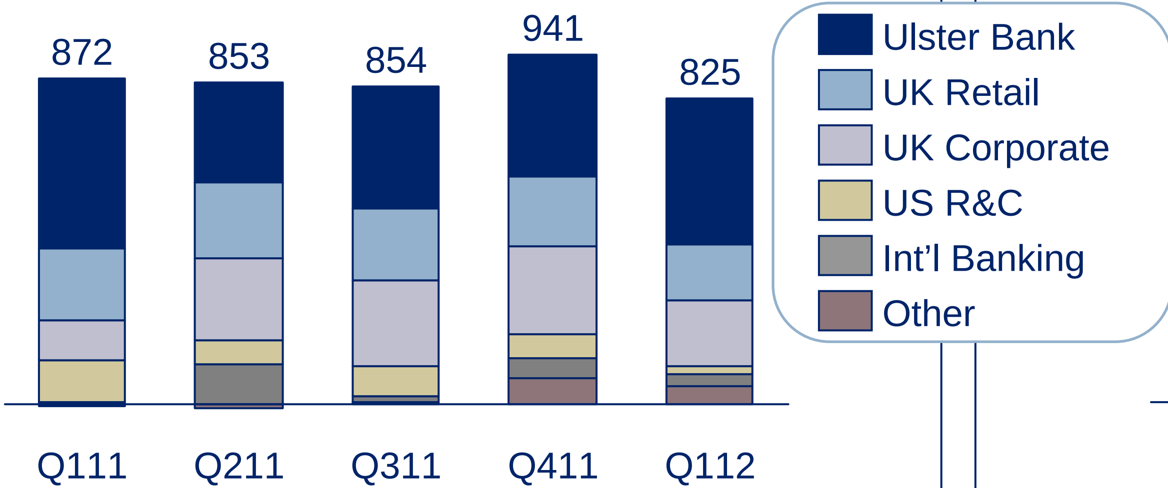
Cost Breakdown

	Q112 £m	Q411 £m	Q111 £m	QoQ %	YoY %
Staff costs	2,221	1,781	2,320	25%	(4%)
Premises & equipment	550	575	556	(4%)	(1%)
Other	819	838	865	(2%)	(5%)
Administrative expenses	**3,590**	**3,194**	**3,741**	**12%**	**(4%)**
Depreciation & amortisation	394	450	380	(12%)	4%
Operating expenses	**3,984**	**3,644**	**4,121**	**9%**	**(3%)**

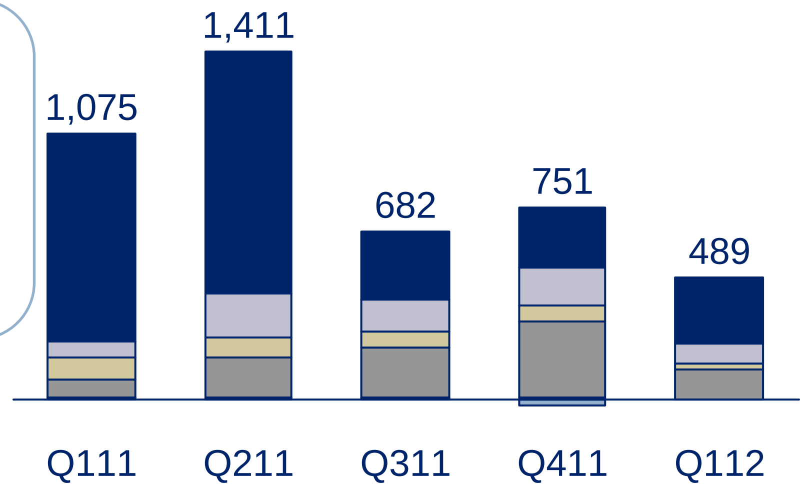
- Expenses impacted by variability in incentive compensation tied to revenues
- US litigation and other one-off factors, including prior quarter releases, add £0.2bn
- Excluding US litigation costs, expenses declined 5% y-o-y
- Group Cost:Income ratio of 61% improves 900bps q-o-q

Core / Non-Core impairment trends

Core Impairments



Non-Core Impairments[1]



- Group REIL declined 3% q-o-q to £39.8bn; provision coverage increased to 51%
- Group impairments declined 22% q-o-q; down 41% excluding Ireland
- Ulster Bank represents 50% of Group impairment charge for Q112, 48% of Core, 54% of Non-Core
- Expect continued general improvement ex Ireland, remain cautious on Irish outlook

[1] Colours represent donating divisions.

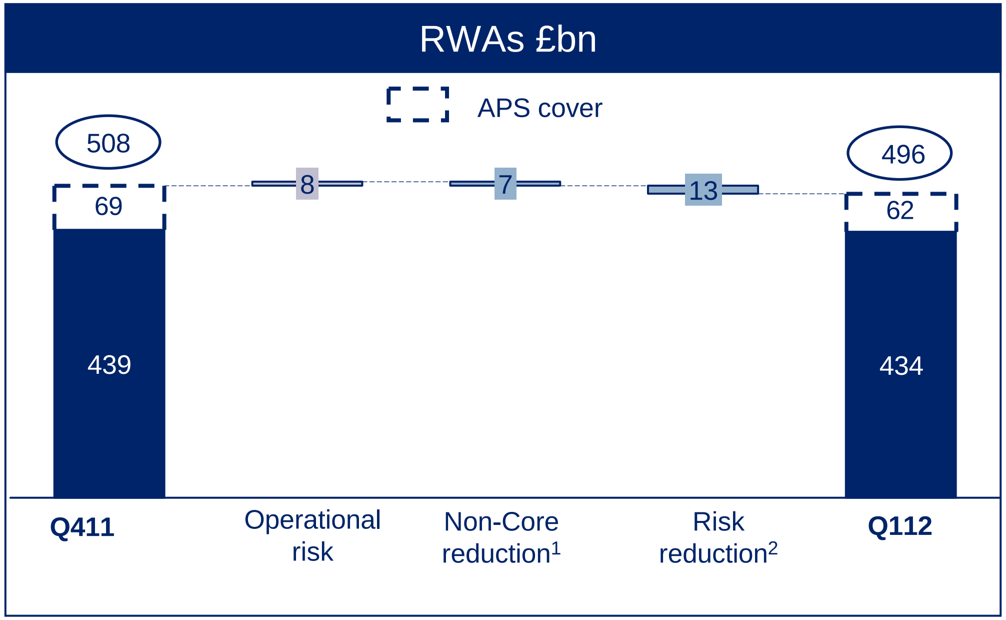
Below the line items

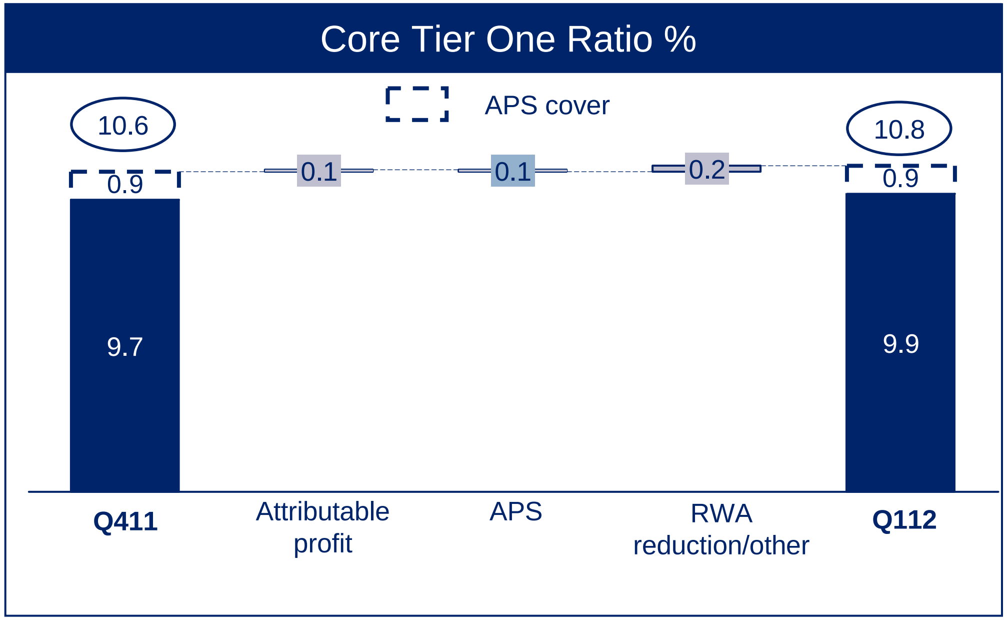
£m	Q112	Q411	Q112 vs Q411
Own Credit Adjustment (OCA)	(2,456)	(472)	(1,984)
APS CDS – fair value changes	(43)	(209)	166
PPI	(125)	0	(125)
Amortisation of purchased intangibles	(48)	(53)	5
Integration & restructuring costs	(460)	(478)	18
Gain on redemption of own debt	577	(1)	578
Strategic disposals	(8)	(82)	74
Other[1]	(25)	(537)	512
Total	**(2,588)**	**(1,832)**	**(756)**
Tax			
Tax (charge)/credit at statutory rate	344	524	
Actual tax (charge)	(139)	186	
Difference	(483)	(338)	

- c.£2bn negative swing on own credit
- £577m gain on redemption of debt
- £125m PPI top up, claims higher than anticipated
- Further £43m APS CDS charge taken, £2.5bn minimum fee now paid
- Restructuring costs remain elevated, £270m tied to MIB
- Tax charge due to losses in Ireland, Australia DTA write-off and profits in high tax jurisdictions

[1] Includes sovereign debt impairment, bank levy and bonus tax.

Progress on reducing risk





- Continued progress on RWA reduction, down £12bn, due to business de-leveraging and continued risk reduction in Non-Core
- Further strengthened CT1, +20bps to 10.8%
- APS benefit to CT1 remains broadly flat

[1] Excludes operational risk uplift. [2] Includes impact of large corporate de-leveraging in UK Corporate and International Banking.

Significant progress on funding & liquidity measures

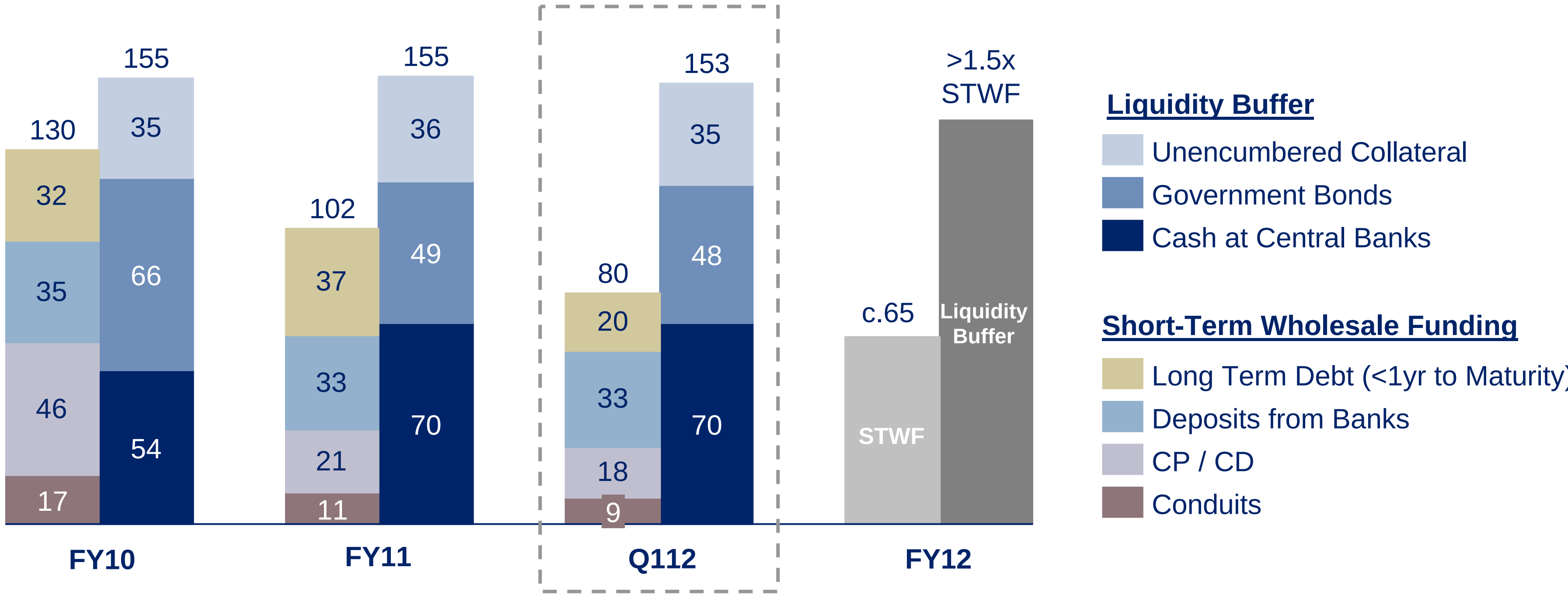
£bn	Worst Point[1]	Q411	Q112	Q-o-Q
Funded Balance Sheet[2]	**1,227**	**977**	**950**	**(27)**
Liquidity Buffer[3]	**90**	**155**	**153**	**(2)**
Total Wholesale Funding (TWF)	**492**	**258**	**234**	**(24)**
o/w STWF[4] **(<1 year)**	**297**	**102**	**80**	**(23)**
Customer Deposits[5]	**-**	**437**	**432**	**(5)**
Net Stable Funding Ratio (NSFR) (%)	**79%**	**111%**	**109%**	**(200bps)**

Key Metrics	Worst Point[1]	Q411	Q112
Loan : Deposit Ratio	**154%**	**108%**	**106%**
Loan: Deposit Ratio (Core)	**-**	**94%**	**93%**
Liquidity Buffer[3] **as % Funded Balance Sheet**	**7%**	**16%**	**16%**
Liquidity Buffer[3] **as % STWF**[4]	**30%**	**152%**	**191%**
STWF[4] **as % Funded Balance Sheet**	**24%**	**10%**	**8%**
STWF[4] **as % TWF**[6]	**60%**	**40%**	**34%**

- Ongoing improvement in LDR; Group 106%, Core 93%
- Quality of funding strengthened
- STWF down £23bn q-o-q; now only £80bn, 8% of balance sheet
- NSFR of 109%

[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 Q411, £22.3bn Q112). [6] Total Wholesale Funding.

Liquid assets cover STWF[1] by an increasing margin



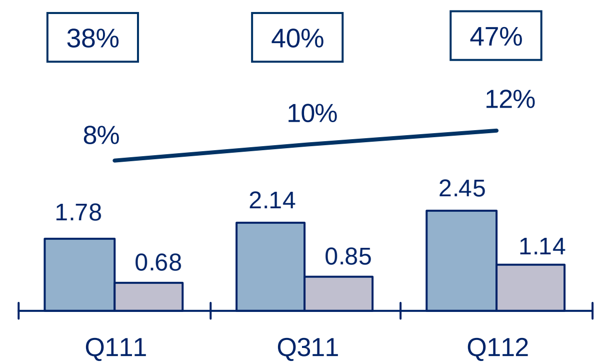
- STWF[1] decreased by £23bn in Q1 to £80bn; 8% of funded balance sheet, comfortably below medium-term target of <10%
- Liquidity portfolio of £153bn maintained in light of economic uncertainty, covering STWF over 1.9 times
- Liquidity portfolio includes £70bn central bank cash balances, covering CP/CD/ABCP maturing in <1 year by approximately 2.6 times

[1]STWF - Short-term Wholesale funding

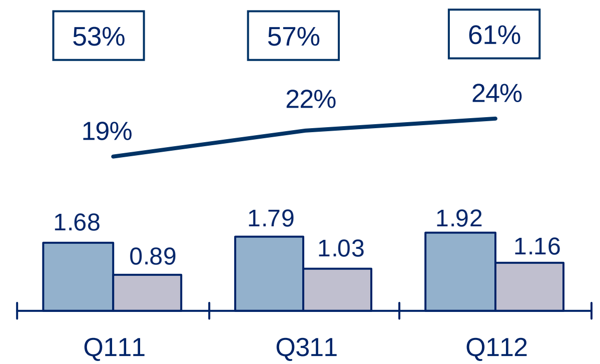
Eurozone exposures – Ulster Bank asset quality

Core Ulster Bank, £33.9bn loan book – 53% provision coverage[1]

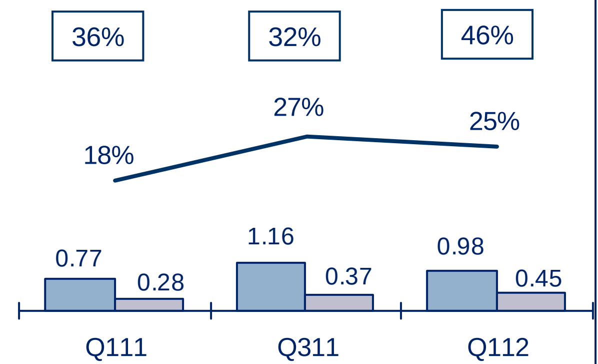
£bn **Mortgages**



£bn **Corporate - Other**



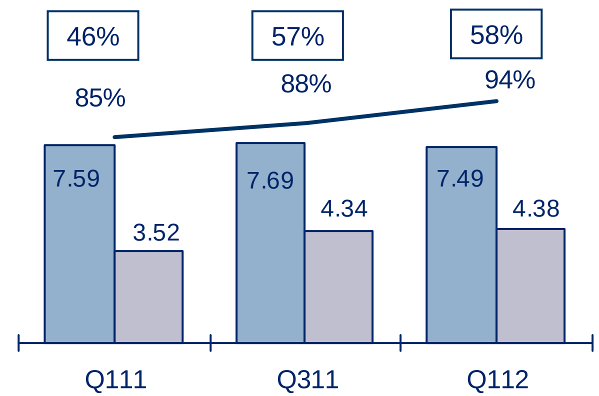
£bn **CRE - Investment**



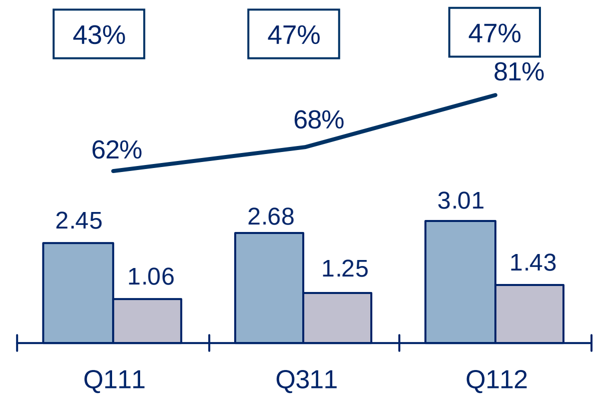
REILs, £bn Provisions, £bn REIL as % of gross L&A % Provision coverage[1]

Non-Core Ulster Bank, £13.4bn loan book[2] – 55% provision coverage[1]

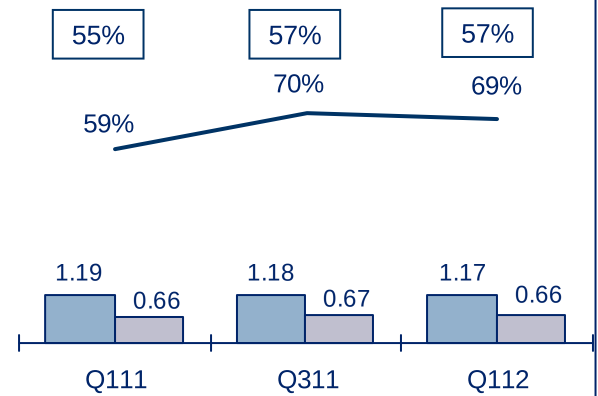
£bn **CRE - Development**



£bn **CRE - Investment**



£bn **Corporate - Other**

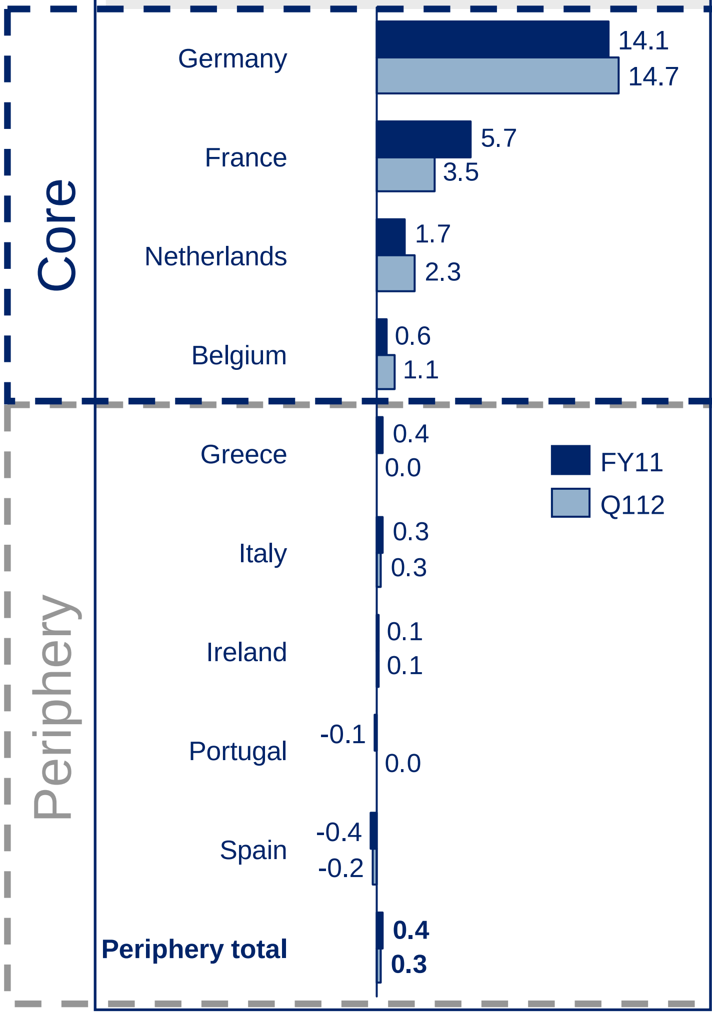


[1] Provisions as a percentage of risk elements in lending (REILs). [2] Excludes EMEA loans of £0.4bn.

Eurozone exposures - Manageable

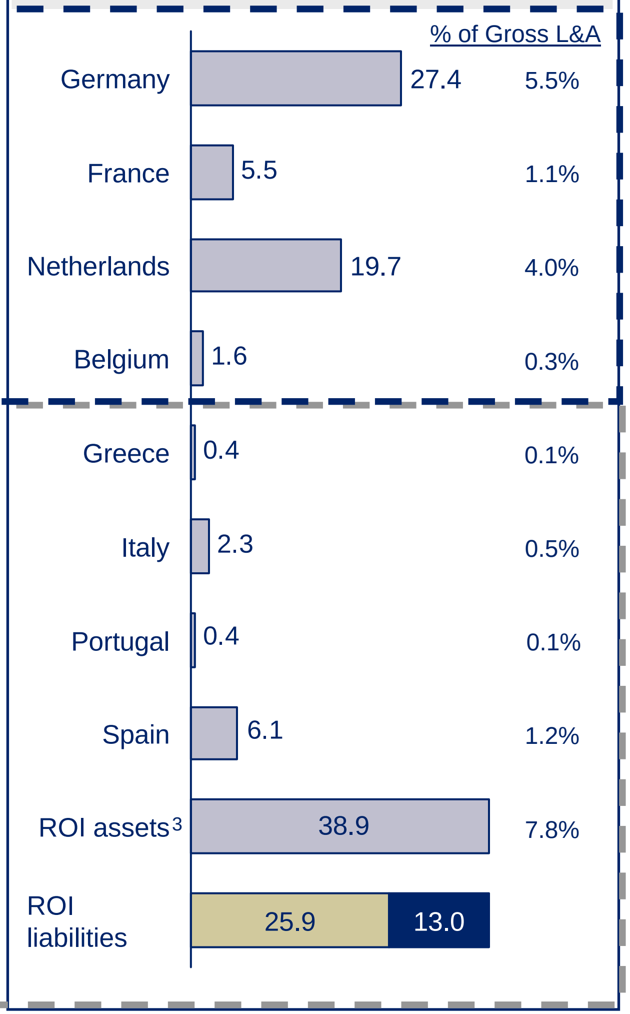
Sovereign Exposure (£bn)[1]

De minimus peripheral government bond exposure



Lending Exposure (£bn)[2]

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



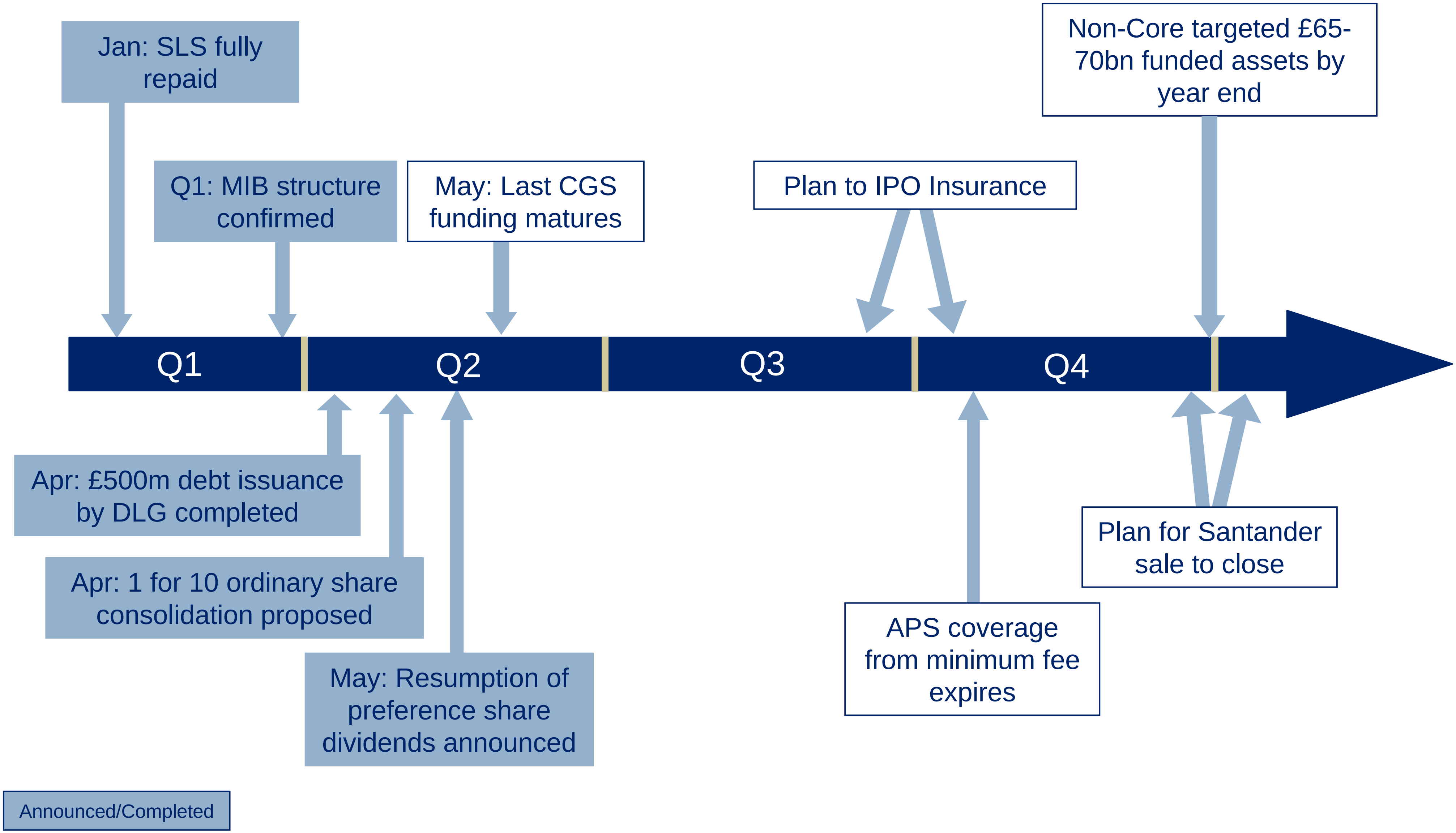
- Further reduction in periphery government bond exposure in Q112
- Ex Ireland, lending is primarily to large multi-national customers
- Long established domestic in-market bank in Ireland
- Eurozone exposures to 'hard currency' countries outweigh peripheral exposures

■ Funded with Intra-Group loans and equity

■ Domestically Funded

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

Milestones in 2012



Conclusions

Core Franchises	■ Solid operating performance from the Core Business ■ Retail & Commercial remains stable against backdrop of weak economy ■ Markets rebounds, demonstrating strength of franchise despite smaller balance sheet
Non-Core and Risk	■ Non-Core continues to execute well; losses £799m lower than Q411 ■ Funded assets decline by a further £11bn to £83bn, now only 9% of Group assets ■ Non-Core impairments fall 35% q-o-q on a reported basis, 56% excluding Ulster Bank
Balance Sheet	■ £27bn reduction in Group funded assets to £950bn ■ Loan to deposit ratio further improved to 106% for Group and 93% for Core ■ Short-term wholesale funding reduced by £23bn to £80bn
Capital position	■ Core Tier 1 ratio further strengthened to 10.8%, +20bps q-o-q ■ Remain well-positioned to support business plan and absorb further regulatory capital requirements

Appendix

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

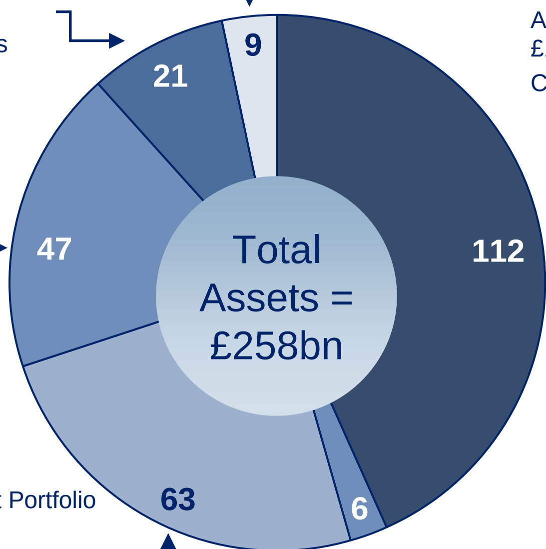
Asset Finance £24.2bn

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

Q1 2012 funded assets

Retail

UK Mortgages & Personal Lending £0.1bn

US Mortgages & Personal Lending £3.4bn

Countries £0.7bn

Other

Shared Assets and Other £0.7bn

Corporate

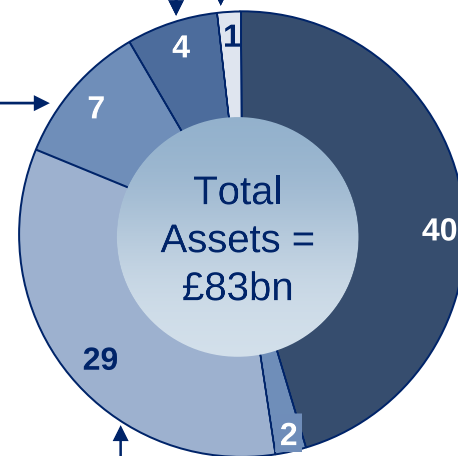
Project & Export Finance £12.0bn

Asset Finance £14.9bn

Leveraged Finance £4.0bn

Corporate Loans & Securitisations £8.1bn

Countries £1.1bn



Markets

Structured Credit Portfolio[1] £7.0bn

Equities £0.2bn

Exotic Credit Trading £0.1bn

Commercial Real Estate

Real Estate Finance £18.0bn

UK B&C £3.4bn

Ireland £7.0bn

US £0.8bn

SME

UK SME £1.6bn

US SME £0.2bn

[1] SCP includes £4.2bn of Corporate, £0.8bn RMBS, £1.1bn CMBS, £0.1bn Trapped SPVs and £0.8bn Other ABS.