Re-building and Recovery

Interim Results 2010

6th August 2010

Important Information

Certain sections in this presentation 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’, ‘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, capital ratios, liquidity, risk weighted assets, return on equity, cost-to-income ratios, leverage and loan-to-deposit ratios, funding and risk profile; the Group’s future financial performance; the level and extent of future impairments and write-downs; the protection provided by the 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. Such statements are based on current plans, estimates and projections and are subject to inherent risks, uncertainties and other factors that 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: general geopolitical and economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; the global economy and instability in the global financial markets, and their impact on the financial industry in general and on the Group in particular; the full nationalisation of the Group or other resolution procedures under the Banking Act 2009; the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G7 central banks; inflation; deflation; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices and equity prices; changes to the valuation of financial instruments recorded at fair value; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital and liquidity regulations; a change of UK Government or changes to UK Government policy; changes in the Group’s credit ratings; the Group’s participation in the APS and the effect of such scheme on the Group’s financial and capital position; the conversion of the B Shares in accordance with their terms; the ability to access the contingent capital arrangements with Her Majesty’s Treasury (“HM Treasury”); the ability of the Group to attract or retain senior management or other key employees; impairments of goodwill; pension fund shortfalls; litigation and regulatory investigations; general operational risks; insurance claims; reputational risk; limitations on, or additional requirements imposed on, the Group’s activities as a result of HM Treasury’s investment in the Group; changes in competition and pricing environments including competition and consolidation in the banking sector; the financial stability of other financial institutions, and the Group’s counterparties and borrowers; the value and effectiveness of any credit protection purchased by the Group; the extent of future write-downs and impairment charges caused by depressed asset valuations; the ability to achieve revenue benefits and cost savings from the integration of certain of the businesses and assets of RBS Holdings, N.V. (formerly ABN AMRO); natural and other disasters; the inability to hedge certain risks economically; the ability to access sufficient funding to meet liquidity needs; 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; the adequacy of loss reserves; acquisitions or restructurings; technological changes; changes in consumer spending and saving habits; and the success of the Group in managing the risks involved in the foregoing.

The forward-looking statements contained in this presentation speak only as of the date of this presentation, 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 presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Agenda for today

Philip Hampton	Introduction
Stephen Hester	Business review & financial highlights
Bruce Van Saun	Finance & Risk review

Re-building and Recovery

Stephen Hester, Group Chief Executive

6th August 2010

Q2 2010 Business review - Agenda

- Business highlights and progress against strategic plan
- Reducing risk & managing regulatory impacts

Re-building and Recovery

Business highlights and progress against strategic plan

Key business highlights

Continued progress against our recovery plan

- Retail & Commercial Q2 operating profit up 49% q-o-q at £978m
  GBM profits lower, trend broadly consistent with peer group
- Customer franchises remain strong
  - Customer numbers up in most businesses and qualitative measures steady or improved
- Reduction in funding risk
  - Short-term wholesale funding[1] reduced by £24bn (11%) in Q2
  - c£17bn of term funding completed year to date, c.70% of original full year target
- 1st quartile in CEBS stress test exercise
  - Tier 1 of 11.2% in adverse scenarios versus EU median of 9.2%
- Strong cost discipline
  - Underlying costs flat in Core R&C, savings offsetting inflation and business investments
- Board reaffirms strategic plan and 2013 targets
  - Reviewing progress one year in: performance is on track, ahead on several key metrics
- Good progress on disposals to date
  - 22 disposals made so far; vast majority of country disposals announced
  - Good progress on EU mandatory disposals: UK branches announced, part sale of RBS Sempra JV now closed

[1] Including Bank deposits

Key financial highlights

Improving financial metrics

Core Business

- Operating profit: £2.2bn (£1.6bn underlying[1]), driven by strong Retail and Commercial performance
- ROE: 15%, flat q-o-q (11% underlying[1])
- Retail and Commercial NIM of 3.11%, 14bp increase q-o-q
- Costs: Good cost management, Core Retail & Commercial underlying flat
- Adjusted C:I ratio 52%[2], improved from 54% in Q1
- Credit profile: impairment losses broadly flat q-o-q at £1.1bn
- LDR: steady at 102%
- RWAs: flat q-o-q

Group Risk Profile

- Impairments: £2.5bn, down 7% q-o-q driven by improvements in Non-Core
- LDR: 128%, a further 300bps improvement q-o-q
- Non-Core run off: tracking slightly ahead of plan, a further 10% (£20bn) reduction in TPAs[3] in Q2
- Core Tier 1 ratio 10.5%, RBS is a well capitalised bank
- Tangible NAV 52.8p per share[4], up 1.3p q-o-q

[1] Excluding Fair Value of Own Debt
[2] Adjusted cost:income ratio is calculated based on income after the cost of insurance claims. Cost:income ratio before insurance claims is 44%.
[3] Third party assets excluding derivatives
[4] Fully diluted for 51bn B shares

Tracking our progress to targets

Current position versus 2013 targets

Key performance indicator	Worst point	FY 09 Actual	Q2 10 Actual	2013 Target
Core Tier 1 Capital	4%[(1)]	11.0%	10.5%	>8%
Loan : deposit ratio (net of provisions)	154%[(2)]	135%	128%	c100%
Wholesale funding reliance[(3)]	£343bn[(4)]	£250bn	£198bn	<£150bn
Liquidity reserves[(5)]	£90bn[(4)]	£171bn	£137bn	c£150bn
Leverage ratio[(6)]	28.7x[(7)]	17.0x	17.2x	<20x
Return on Equity (RoE)	(31%)[(8)]	Core 13%[(9)]	Core 15%[(9)]	Core >15%
Adjusted cost : income ratio[(10)]	97%[(11)]	Core 53%	Core 52%	Core <50%

[1] As at 1 January 2008. [2] As at October 2008 [3] Amount of unsecured wholesale funding under 1 year. H110 includes £92bn of bank deposits and £106bn of other wholesale funding. 2013 target is for <£65bn of bank deposits, <£85bn of other wholesale funding. [4] As at December 2008 [5] Eligible assets held for contingent liquidity purposes including cash, government issued securities and other securities eligible with central banks. [6] Funded tangible assets divided by Tier 1 Capital. [7] As at June 2008 [8] Group return on tangible equity for 2008 [9] Indicative: Core attributable profit taxed at 28% on attributable core spot tangible equity (c70% of Group tangible equity based on RWAs). [10] Adjusted cost:income ratio net of insurance claims. [11] 2008

RBS Strategic Plan

RBS is driving through the key elements of its Strategic Plan

Core Bank
The focus for sustainable value creation

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

Non-Core
The primary driver of risk reduction

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

Cross-cutting Initiatives

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

Customer franchises

Core franchises remain strong

	Q2 Customer Numbers	Market Positions	Customer Metrics
UK Retail	12.9m current accounts 10.1m savings accounts	#2 Current Accounts	2% growth in customers, +1% current account market share
Wealth	260,000 UK Wealth customers	#1 Private Banking in the UK	Coutts customers +4% y-o-y
US R&C	3.9m Retail 0.5m SME & Corporate	Top 5 in 8 of top 10 markets in which we operate	83% customer satisfaction Customer checking accounts +9%
Ulster	>1.9m customers	#1 in Northern Ireland #3 in island of Ireland	Customer numbers +3% y-o-y
UK Corporate	1.2m Business, Commercial & Corporate customers	#1 Business & Commercial #1 Corporate	54,000 start ups assisted in H110, +6% y-o-y
GTS	>1.2m customers	#5 ICM[1], #6 Trade Finance[1] #5 Merchant Acquirer[2]	19%[3] growth in deposits y-o-y
GBM	5,800 core clients globally - world's top Corporates & FIs	Top tier in key product areas	#1 Core relationships UK, #3 Europe, #5 USA, =7 APAC[4]
Insurance	10.8m own brand policies 6.3m other policies[5]	#1 Motor insurance #1 Home Insurance	RBS Insurance is #1 for both motor and home

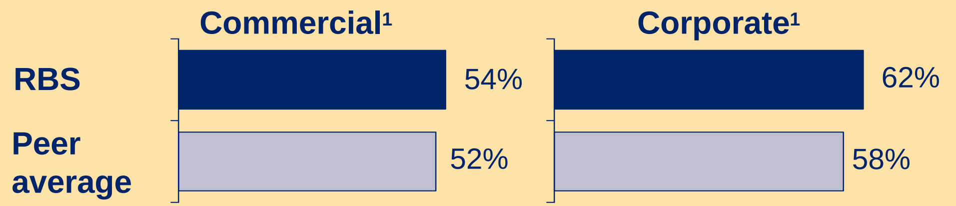
Our franchises have sustained market positions, with customer numbers steady or growing

[1] Euromoney 2009 global rankings, [2] Nilson, [3] Including Banks at CFX, [4] Greenwich Associates (Large Corporate Banking study), rankings relate to Total Relationships. [5] Partnership, broker and other policies

UK Corporate & Commercial

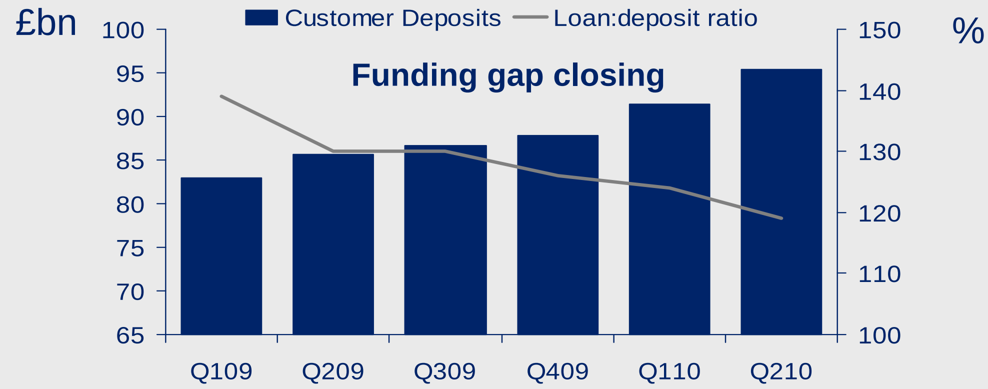
Strong customer franchises

UK C&C Customer Satisfaction Scores



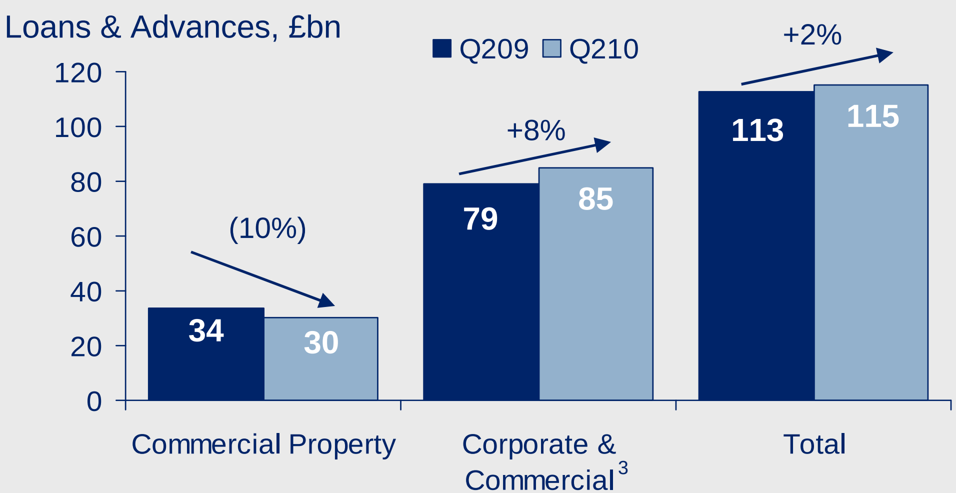
- Business has maintained high level customer satisfaction with improved cross-sell
- Banking services provided to 105,000 start ups over the last 12 months, up 11%. SME market share +1% to 27%

Closing funding gap – balancing loans with deposit growth



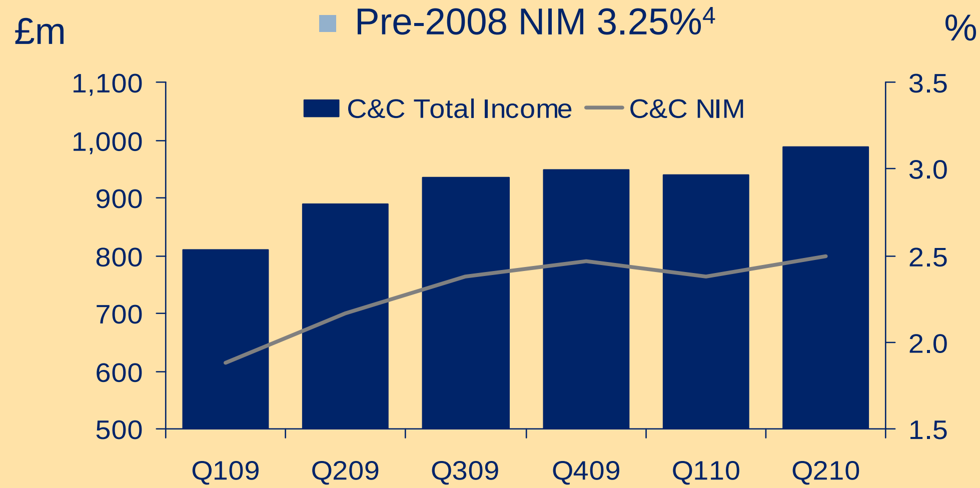
- £12.7bn of gross lending facilities extended in Q210
- On target to reach £50bn gross lending target[2]

Supporting customers while reducing property concentration



Re-establishing profitability - Rebuilding margins

- Pre-2008 NIM 3.25%[4]



¹ % of customers responding 'Excellent/Very good' when asked regarding the business banking service provided by main bank, how would you rate the overall quality of service of the past year. Source: Charterhouse Research UK Business Banking Survey Q1 & Q2 2010. ² Applied for the period March 2010 to February 2011. ³ Corporate & Commercial ex Property. ⁴ Peak NIM for Mid Corporate and Commercial Banking, 2005

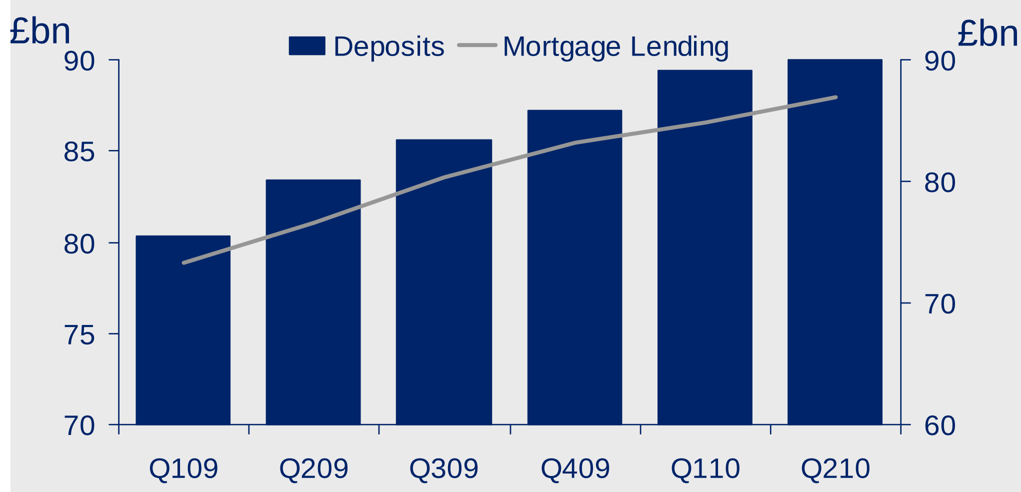
UK Retail

Opportunities for growth - growing customer numbers

	Y-o-Y[1]
Current accounts growth	**+2%**
Saving accounts growth	**+5%**
Mortgage account growth	**+8%**

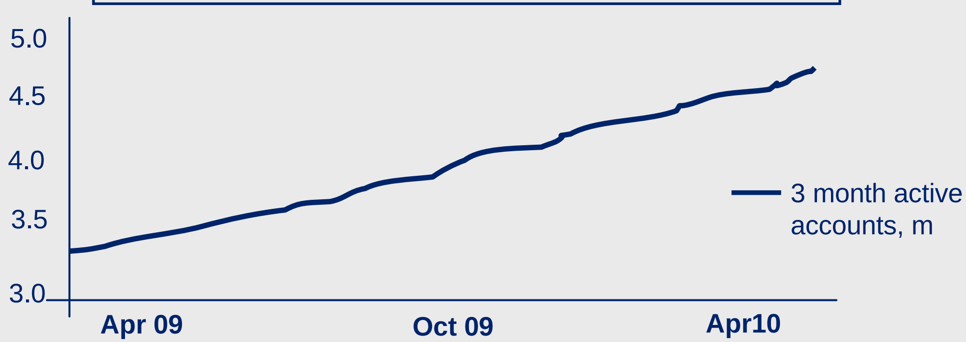
- Retail franchise gains are increasing customer numbers
- Competitive products continue to grow RBS market share in focused areas

Strong growth in deposits and mortgages



Developing customer proposition - Rapid growth online

Online user growth



- The division is successfully accelerating growth in remote channels

Re-establishing profitability - Improving Jaws

	Q-o-Q[2]	Y-o-Y[1]
Income growth	**6%**	**5%**
Cost growth	**3%**	**(3%)**
Pre impairment profit	**9%**	**18%**

- Margin rebuild helping to support higher divisional revenues
- Cost initiatives beginning to gain traction

[1] Q210 versus Q209
[2] Q210 versus Q110

US Retail & Commercial

RBS

Developing customer proposition - seeing early results

- Investment in marketing and sales outreach has driven account growth….

	Y-o-Y[1]
Net Retail checking account growth	+2%
Net Business checking account growth	+3%

- ….and deepened household relationships

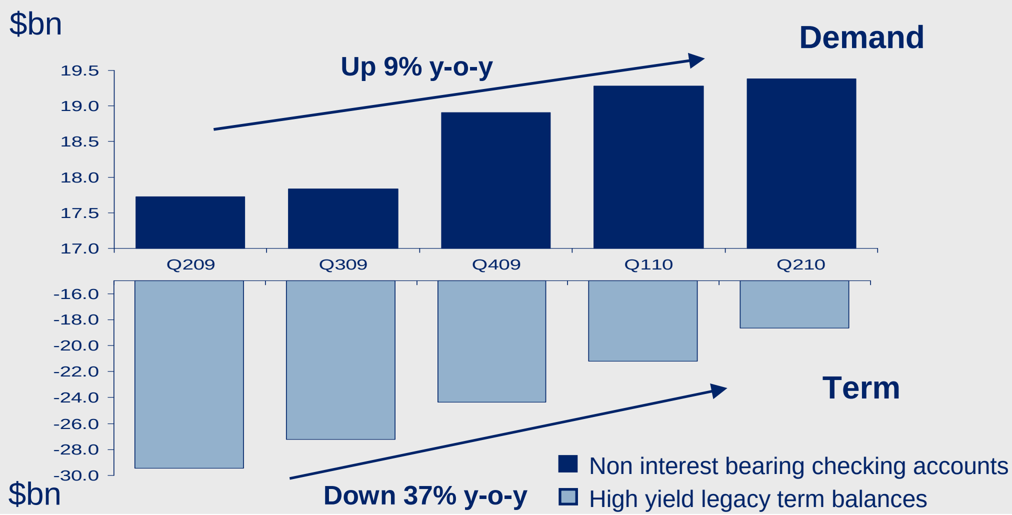
	March '09	March '10
Direct deposits[2]	49%	51%
Active bill payment[3]	12%	14%
Active online banking[3]	37%	39%

Enhancing performance - Improving market share

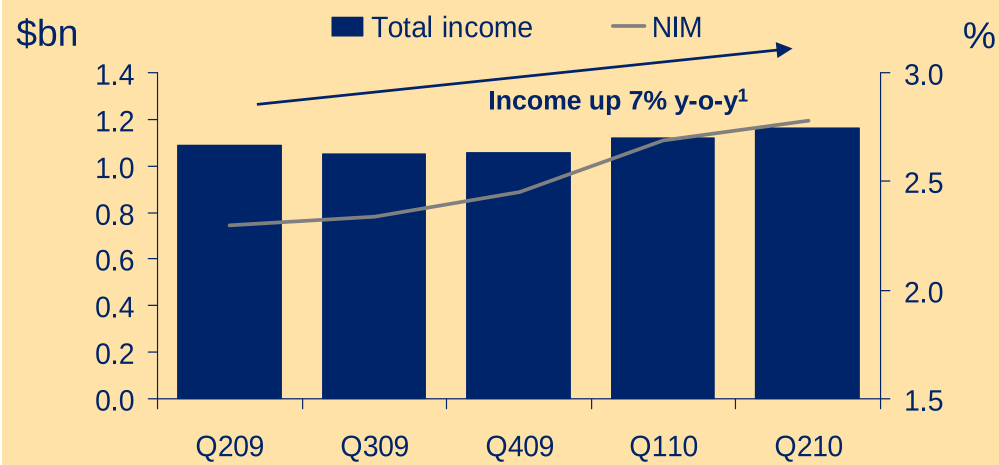
- The business plan has delivered customer metrics to-date ahead of the original strategic plan

US Retail & Commercial Market shares

Reshaping the business - Focus on improving deposit mix



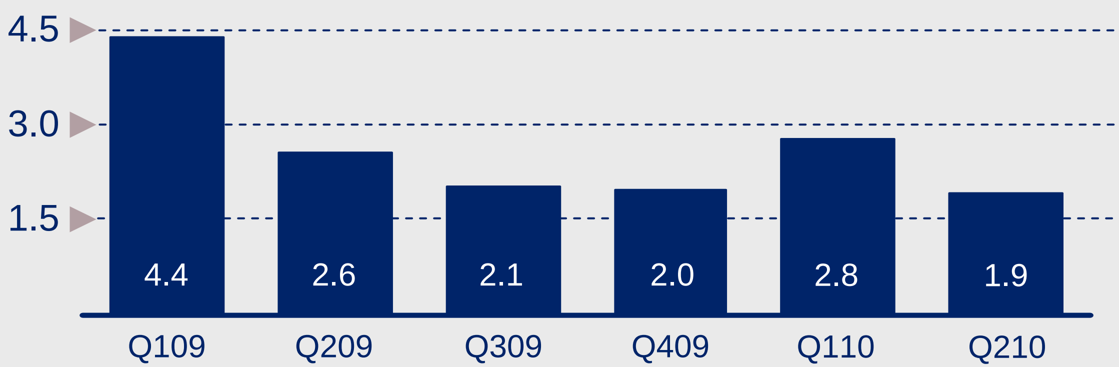
Re-establishing profitability - Rebuilding margins



[1] Q210 versus Q209
[2] Penetration of total CFG retail households for direct deposits and steady save
[3] Penetration of total CFG retail checking households for active bill payment and active online banking
[4] Q1 2010

GBM

Underlying quarterly income (ex FVooD), £bn



- Refocused Division, improving quality of profitability on much improved risk profile
- Intense focus on:
  - Strengthening Core customer relationships
  - Sustaining strong Group customer synergies

- **Revenues**
  Will fluctuate - the nature of the industry. Q3 trends still subdued.
- **Enduring franchise**
  Business remains resilient, focused on its 5 year strategy.
- **Continued Investment**
  Halfway through a two year £550m+ front to back investment programme improving risk and service infrastructure.
- **Tight risk management**
  Navigating unpredictable trading markets well. Upgrading risk management framework. Changed risk culture.
- **Continued performance**
  Maintained a leading position in core franchise areas with top tier market rankings in fixed income (FX, options and rates) and debt capital markets.
- **Balance sheet & funding**
  Disciplined balance sheet management, lower and more liquid.

Re-building and Recovery

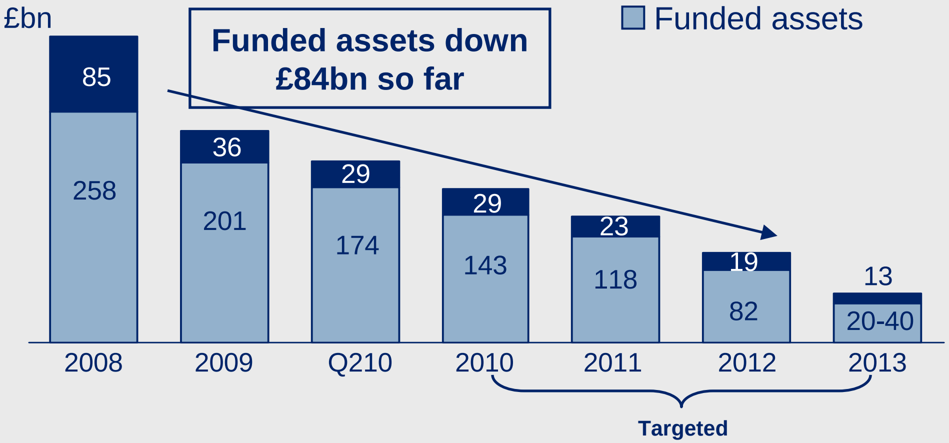
Reducing risk & managing regulatory impacts

Non-Core & Disposals

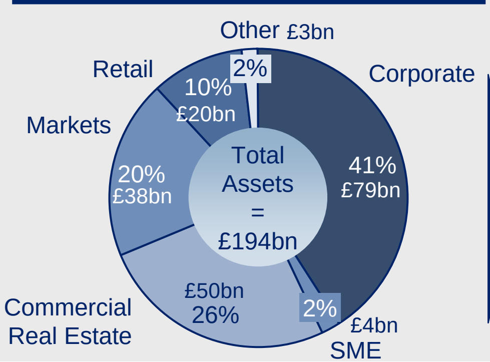
Pleasing progress to date

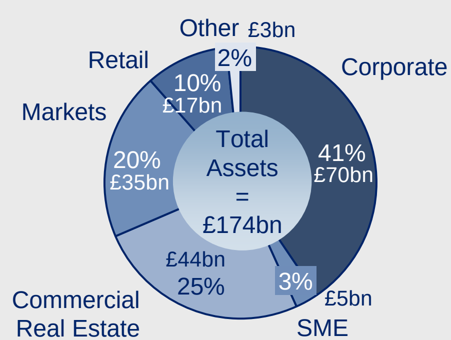
Non-Core

- We have made good progress



- Reduction continues across all portfolios





Disposals

- Asset portfolio run-off/sales on target. H2 acceleration planned.
- 22 business disposals made so far; vast majority of country disposals announced
- Good progress on EU mandatory disposals:

UK SME / Branches

Sale process to Santander announced (c£1.65bn), completion by end 2011[1]

(£21.3bn assets, £14.2bn RWAs, operating profit of £57m, H1 2010)

RBS Sempra

Completed partial sale[2], balance work in progress

(Sold to JPM - £7.4bn assets, £4.3bn RWAs, £73m income H1 2010)

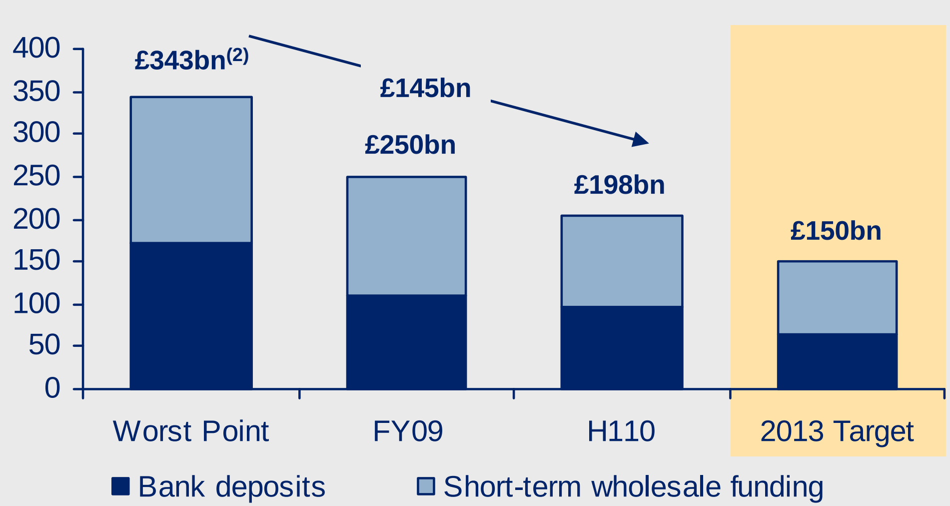
(To be sold - £5.3bn assets, £5.8bn RWAs, £2m operating loss H1 2010)

[1] Agreed sale for a premium of £350m to net assets at time of closing. Implied equity is £1.3bn applying an 8.5% Core Tier 1 ratio to RWAs of £15.2bn as at 31 December 2009

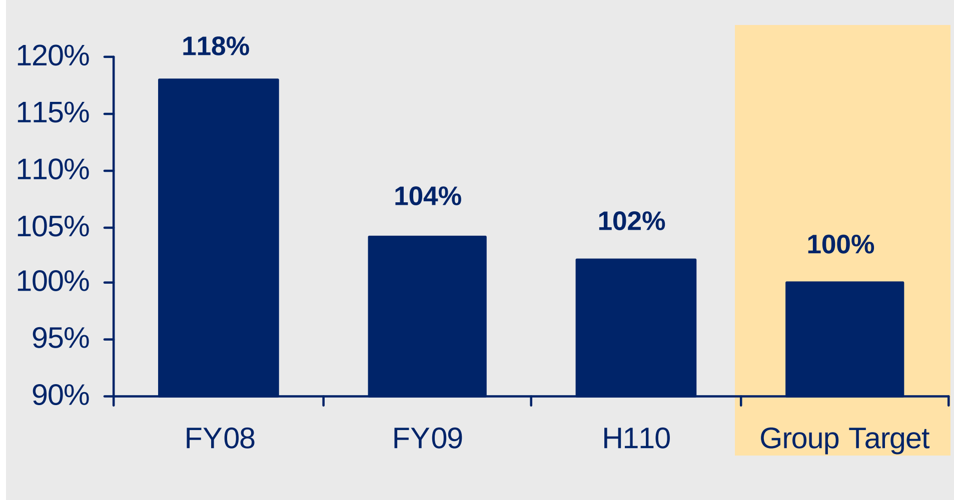
[2] Sale of Metals, Oil and European Energy business lines agreed on 16th February 2010 and completed 1st July 2010; operating profit/loss stated post MI

Funding and liquidity

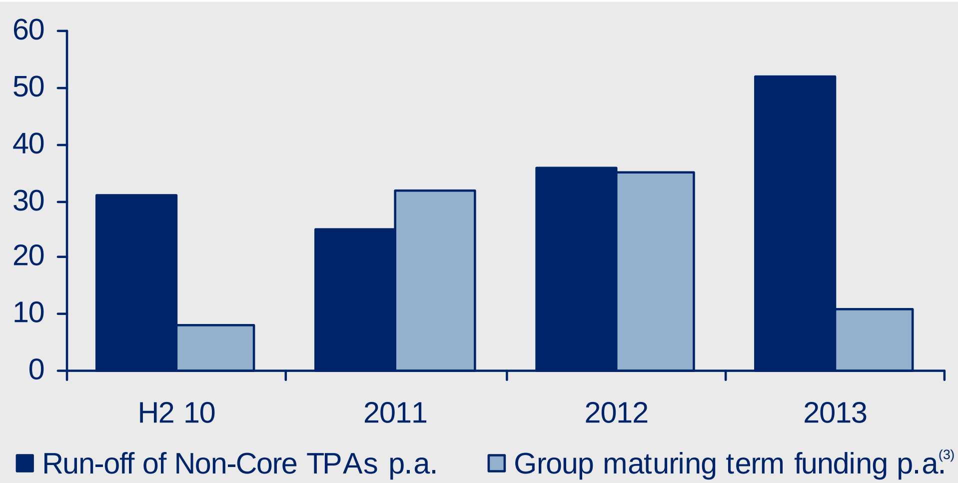
Consistent reduction in short term funding needs(1)



Improving Loan-to-Deposit ratio in Core



Refinancing requirement outweighed by target reduction in Non-Core third party assets (£bn)



- Top quartile Tier 1 capital position after adverse scenario in the CEBS stress tests
- Positive momentum begins in RBS's underlying credit ratings with all three major rating agencies
- Business natural deposit franchises in good health

1 Amount of unsecured wholesale funding under 1 year including bank deposits 2 As at October 2008 3 Maturing term funding includes government guaranteed MTNs, unguaranteed MTNs and subordinated debt, excluding c£28bn of GBM, Citizens and Ulster Bank own issued structured MTNs with a maturity profile of c£2-4bn per annum.

Managing regulatory impacts

RBS managing through a demanding external environment

Economic Impacts	Regulatory Impacts
Gradual economic recovery continuing globally	Basel III outcome still uncertain but becoming clearer as to timing and policies
Reduction in economic imbalances vital	UK Banking commission commencing enquiry on industry structure and scope
Business/investor confidence still volatile	EU mandated disposals proceeding well
Customers remain cautious impacting loan demand and markets revenues	Important debate around resolution regimes and 'too big to fail'
Persistent low interest rates could slow margin recovery	Complex US legislation now to be implemented
	Industry levies being introduced, eg. UK

Economic outcome so far is broadly as expected at the start of the strategic plan. RBS remains cautious as to economic outlook

Balance being struck between need for banks to recover and other public policy issues

Re-building and Recovery

Bruce Van Saun, Group Finance Director

6th August 2010

Group P&L financial highlights – quarter-on-quarter

RBS

	Q210 £m	Q110 £m	Q210 vs Q110	Q210 vs Q209
Income	**8,782**	**8,954**	**(2%)**	**43%**
Operating Expenses	(4,103)	(4,430)	(7%)	1%
Claims	(1,323)	(1,136)	16%	43%
Profit before Impairment Losses	**3,356**	**3,388**	**(1%)**	**197%**
Impairment Losses	(2,487)	(2,675)	(7%)	(47%)
Operating Profit/(Loss)	**869**	**713**	**22%**	**n.m.**
Gain on redemption of own debt	553	-		
Strategic disposals	(411)[1]	53		
Other[2]	(354)	(287)		
APS CDS – fair value changes	500	(500)		
Profit/(Loss) Before Tax	1,157	(21)		
Tax (charge)/credit	(825)	(106)		
Profit/(Loss) from continuing operations	332	(127)		
Attributable Profit/(Loss)	**257**	**(248)**		

- Attributable profit of £257m in the quarter
- Improved UK and US R&C performance helped offset lower GBM revenue in Q2
- Widening credit spreads drove £619m FVooD gain
- Significant one-offs in Q2 include gain on redemption of own debt (£553m), fair value changes on APS CDS (£500m),loss on strategic disposals (-£411m) and unusual tax items (-£288m, -£400m PTE)[3]
- Accounting item volatility will recur in H2 e.g. FVooD[4]/APS

[1] Life Assurance £235m, LatAm £142m

[2] Amortisation of intangible assets, Integration & restructuring costs, Bonus tax

[3] Unusual tax charge of £288m grossed up by UK tax rate of 28% to get pre-tax equivalent expense (PTE) of £400m

[4] Fair value of own debt

Group P&L financial highlights – half-on-half

	H110 £m	H109 £m	H110 vs H109
Income	**17,736**	**14,791**	**20%**
Operating Expenses	(8,533)	(8,733)	(2%)
Claims	(2,459)	(1,891)	30%
Profit before Impairment Losses	**6,744**	**4,167**	**62%**
Impairment Losses	(5,162)	(7,521)	(31%)
Operating Profit/(Loss)	**1,582**	**(3,354)**	**n.m.**
Gain on redemption of own debt	553	3,790	
Strategic disposals	(358)	453	
Other[1]	(641)	(874)	
APS CDS – fair value changes	-	-	
Profit/(Loss) Before Tax	1,136	15	
Tax (charge)/credit	(931)	412	
Profit/(Loss) from continuing operations	205	427	
Attributable Profit/(Loss)	**9**	**(1,042)**	

- Income recovery underway and tight cost management driving positive operating leverage
- Ongoing decline in impairments reflects improving economy, de-risking
- Positive operating profit movement of c£5bn H110 vs H109
- Break-even bottom line in H110

[1] Amortisation of intangible assets, Integration & restructuring costs, Bonus tax

Core & Non-Core performance

Core Division Q2 2010[1]

	Q210 £m	Q110 £m	Q210 vs Q110 %	Q210 vs Q209 %
Net Interest Income	3,212	3,035	6%	3%
Non Interest Income	4,697	4,985	(6%)	28%
Income	**7,909**	**8,020**	**(1%)**	**16%**
Operating Expenses	(3,511)	(3,774)	(7%)	(1%)
Claims	(1,108)	(1,003)	10%	41%
Profit before Impairment Losses	**3,290**	**3,243**	**1%**	**32%**
Impairment Losses	(1,097)	(971)	13%	(4%)
Operating Profit/(Loss)	**2,193**	**2,272**	**(3%)**	**63%**

- Improving R&C margins drove ongoing NII growth
- Ongoing expense management and lower compensation accruals resulted in operating expenses down 7%
- Bodily injury insurance claims continue to be adverse
- Credit results include continued high property impairments in Ulster Bank

Non-Core Division Q2 2010

	Q210 £m	Q110 £m	Q210 vs Q110 £m	Q210 vs Q209 £m
Net Interest Income	472	499	(27)	283
Non Interest Income	401	435	(34)	1,277
Income	**873**	**934**	**(61)**	**1,560**
Operating Expenses	(592)	(656)	64	(55)
Claims	(215)	(133)	(82)	(78)
Profit before Impairment Losses	**66**	**145**	**(79)**	**1,427**
Impairment Losses	(1,390)	(1,704)	314	2,126
Operating Profit/(Loss)	**(1,324)**	**(1,559)**	**235**	**3,553**

- Improving trading book income performance as a result of banking book hedges and de-risking
- Impairment reduction reflects relatively stable conditions in the corporate sector and a large Q2 recovery of c£270m

[1] Includes fair value of own debt impact: £619m Q210; (£169m) Q110; (£960m) Q210

Divisional PBIL & operating profit trends

	PBIL			Operating profit		
	Q210	Q110	% chg	Q210	Q110	% chg
UK Retail	576	527	9%	276	140	97%
Wealth	88	66	33%	81	62	31%
US Retail & Commercial	273	183	49%	129	40	223%
Ulster Bank	104	81	28%	(177)	(137)	29%
UK Corporate & Commercial	588	504	17%	390	318	23%
GTS	282	233	21%	279	233	20%
Total Retail & Commercial	**1,911**	**1,594**	**20%**	**978**	**656**	**49%**
GBM	1,245	1,498	(17%)	1,081	1,466	(26%)
Insurance	(203)	(50)	n.m.	(203)	(50)	n.m.
Central items	337	201	68%	337	200	69%
Total Core	**3,290**	**3,243**	**1%**	**2,193**	**2,272**	**(3%)**

- Strong Retail & Commercial performance – PBIL +20%, operating profit +49%
- All R&C divisions showing momentum save Ulster Bank due to credit costs
- Challenging market conditions for GBM, although performance relatively resilient

Core by division[1]

UK Retail	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	1,320	1,248	6%	1,258	5%
PBIL	576	527	9%	490	18%
Impairments	(300)	(387)	(22%)	(470)	(36%)
Operating profit	276	140	97%	20	n.m.

- Asset margins continued to improve
- Savings margins remained stable q-o-q, but swap rates on current account hedges declined
- Impairment outlook expected to remain steady/positive depending on economic conditions

UK Corporate & Commercial	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	987	939	5%	888	11%
PBIL	588	504	17%	535	10%
Impairments	(198)	(186)	6%	(450)	(56%)
Operating profit	390	318	23%	85	n.m.

- Asset margins continue to recover from lows of 2008-9, deposit margins at cyclical lows but now stable
- Impairments continue to reflect economic pressures, particularly real estate related

Wealth	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	266	255	4%	287	(7%)
PBIL	88	66	33%	134	(34%)
Impairments	(7)	(4)	75%	(16)	(56%)
Operating profit	81	62	31%	118	(31%)

- Positive jaws, supported by asset margin recovery and cost efficiency, driving PBIL growth
- Competition in the deposit market remains intense, continued growth in the UK offset by international

GBM	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	2,278	2,792	(18%)	2,103	8%
PBIL	1,245	1,498	(17%)	1,018	22%
Impairments	(164)	(32)	n.m.	31	n.m.
Operating profit	1,081	1,466	(26%)	1,049	3%

- Underlying revenue fell 31% (adjusted for FVooD) reflecting challenging market conditions
- Higher impairments caused by a small number of individual name provisions

[1] All figures in £m unless otherwise stated

Core by division[1]

GTS	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	648	607	7%	623	4%
PBIL	282	233	21%	269	5%
Impairments	(3)	-	-	(4)	(25%)
Operating profit	279	233	20%	265	5%

- Income increased 7% q-o-q reflecting higher average deposit balances and strong merchant acquiring volumes
- Direct costs stable leading to PBIL growth of 21%

Ulster Bank	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	247	241	2%	259	(5%)
PBIL	104	81	28%	78	33%
Impairments	(281)	(218)	29%	(90)	n.m.
Operating profit	(177)	(137)	29%	(12)	n.m.

- PBIL improved 38% q-o-q on a constant currency basis with favourable movements in income and costs
- Economic conditions remain challenging with continued impairment pressure in real estate

US R&C ($m)	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	1,161	1,122	3%	1,089	7%
PBIL	409	287	43%	212	93%
Impairments	(214)	(224)	(4%)	(231)	(7%)
Operating profit	195	63	210%	(19)	n.m.

- Net interest income up 2% q-o-q while loans decline by 1%, reflecting a lack of credit demand
- Net interest margin improved by 9bps primarily driven by a continuing improvement in deposit mix

Insurance	Q210	Q110	Q2/Q1	Q209	Q2/Q2
Income	1,031	1,048	(2%)	1,025	1%
Claims	(1,132)	(974)	16%	(758)	49%
Operating profit	(203)	(50)	n.m.	141	n.m.

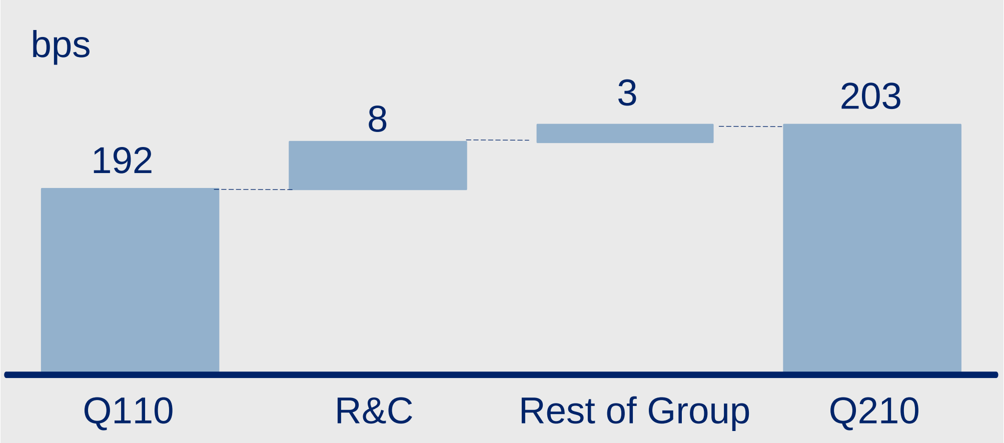
- Performance continues to be impacted by significant increase in bodily injury reserving, +£320m in Q2 of which £241m related to prior year
- Comprehensive management actions ongoing to address challenges

[1] All figures in £m unless otherwise stated

Net Interest Margin

Margin progression	Q309	Q409	Q110	Q210
Group NIM	1.75	1.83	1.92	2.03
R&C NIM	2.91	3.04	2.97	3.11
GBM	1.08	0.89	1.11	1.01
Non-Core	0.55	1.17	1.25	1.22

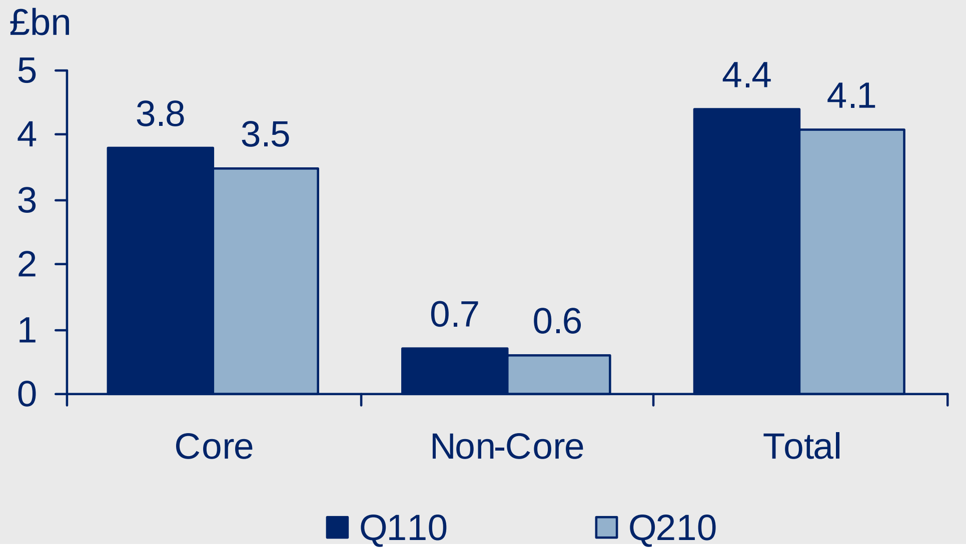
Group NIM – Q210 vs Q110



- Group NIM up 11bps to 2.03% driven by Retail & Commercial margins, up 14bps
- Benefit from higher earnings on capital in Q2 of 3bps, no further impact anticipated
- Expectation of modest underlying growth per quarter retained for the remainder of 2010, absent any GBM and Non-Core volatility

Group operating expenses

Operating expenses



Operating expenses by quarter

	Q210 £m	Q110 £m	Q210 vs Q110 %	Q210 vs Q209 %
Staff costs	2,178	2,553	(15%)	1%
Premises & equipment	516	528	(2%)	(12%)
Other	974	935	4%	6%
Administrative expenses	**3,668**	**4,016**	**(9%)**	**0%**
Depreciation & amortisation	435	414	5%	5%
Operating expenses	**4,103**	**4,430**	**(7%)**	**1%**

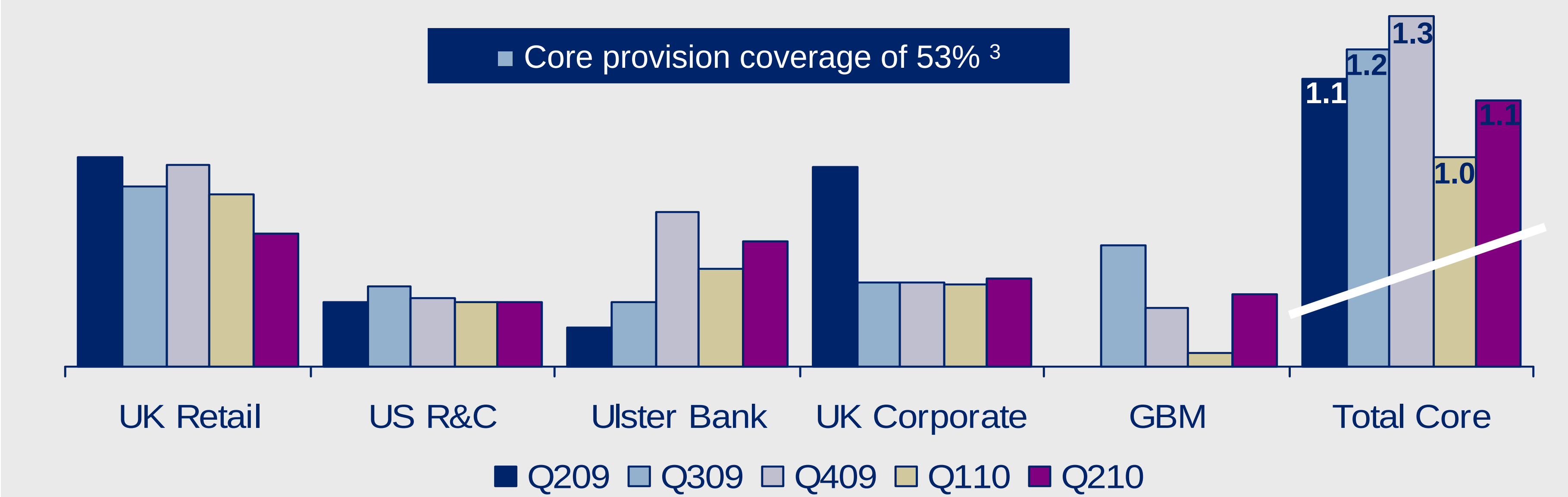
- 7% q-o-q reduction driven by lower staff costs, primarily reflecting lower GBM revenues
- GBM compensation ratio stable at c33%
- Adjusted cost:income ratio improved 200bps to 52% in Core, Group also improved 200bps to 55%
- Non-Core costs declined by 10% q-o-q benefitting from disposal related headcount reductions

[1] Includes incentive payments, staff related inflation and non-staff inflation

Core impairments

	Q210 £m	Q210 % L&A[1]	Q110 % L&A[1]	Q409 % L&A[1]	Q210 Key Sector Impairments:
UK Retail	300	1.1	1.5	1.8	Improved performance in personal unsecured, small improvement in mortgages
US R&C	144	1.1	1.0	1.3	Trends improving slowly
Ulster Bank	281	3.1	2.3	3.5	Growth driven by CRE, reflecting ongoing economic challenges
UK Corporate	198	0.7	0.7	0.7	Broadly in line with previous quarter, reflects moderate commercial sector weakness
GBM	164	0.7	0.1	0.6	A small number of individual cases; driven by property & construction, Banks & FI
Other[2]	10	n.m.	n.m.	0.2	
Total Core	**1,097**	**1.0**	**0.9**	**1.2**	**Improving Retail position, ongoing challenges at Ulster.**

Core impairments by division Q209 – Q210[3], £bn

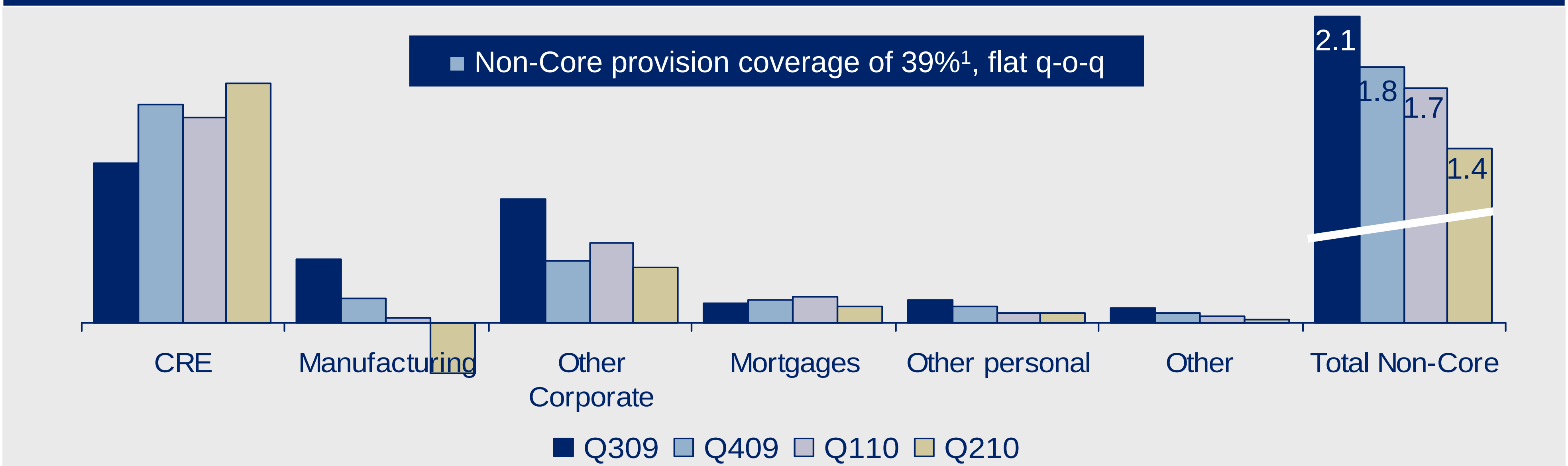


[1] Impairments as a % of L&A excludes Available for Sale [2] Includes Wealth, GTS, RBS Insurance and Central Items. [3] Provisions as a % of risk elements in lending.

Non-Core impairments

	Q210 £m	Q110 £m	Q409 £m	Q309 £m	Comments:
CRE	**1,224**	1,050	1,120	814	Ulster drives increase
Manufacturing	**(260)**	24	125	323	Q2 reflects single name recovery of £270m
Other Corporate	**281**	411	318	637	Favourable trends continue in Q2
Mortgages	**80**	137	116	97	Favourable trends in Q2, particularly US SBO
Other personal	**49**	51	50	120	Broadly stable, primarily US Auto and Consumer
Other	**16**	31	53	75	Primarily reflects country exits
Total	**1,390**	**1,704**	**1,811**	**2,066**	**Absence of large individual cases in H110; Q2 recovery of c£270m**

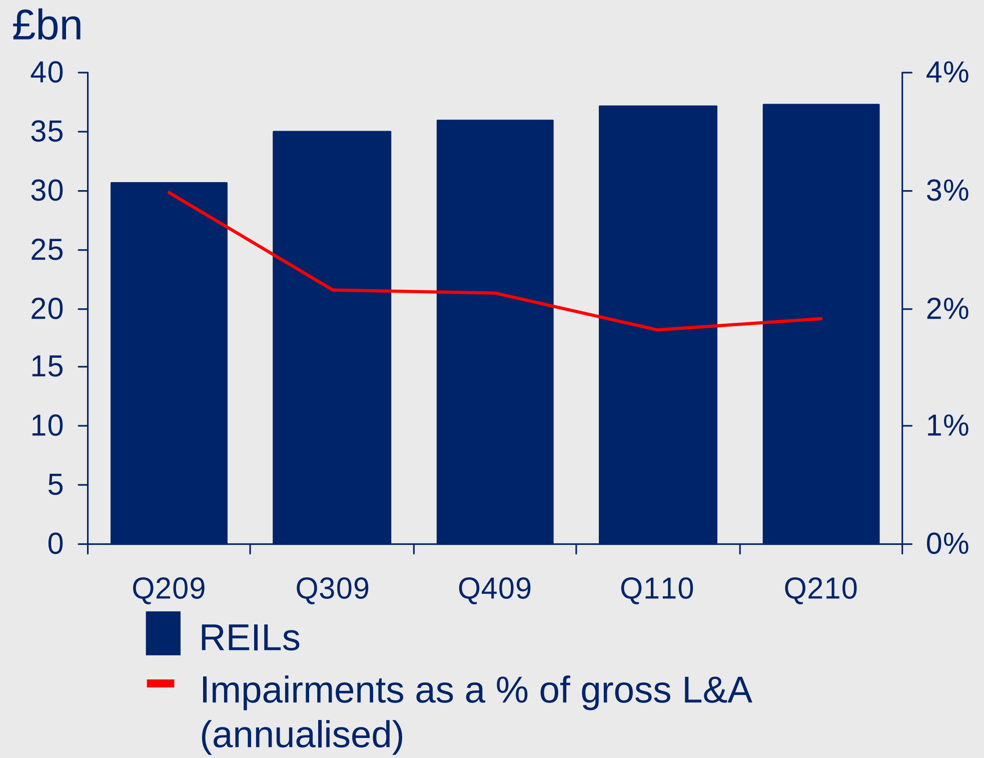
Non-Core impairments by asset type Q309 - Q210, £bn



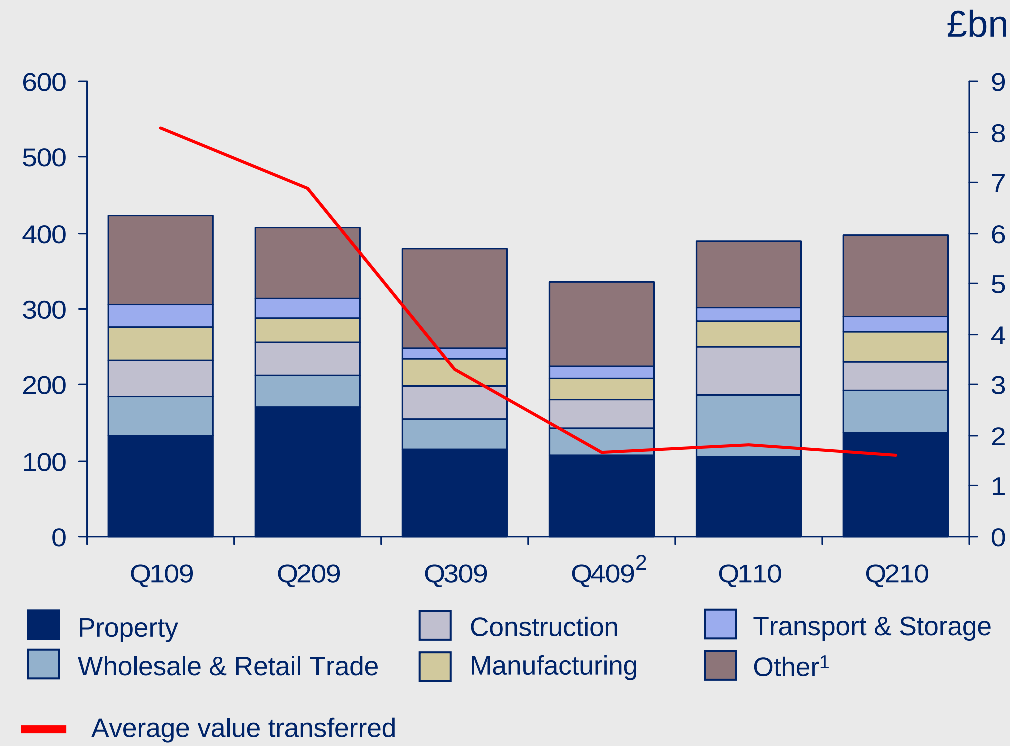
[1] Provisions as a % of risk elements in lending

Impairments trends

Group credit trends, Q209 – Q210



No. & value of wholesale cases transferred to Recoveries Units globally, Q109-Q210 (monthly average)



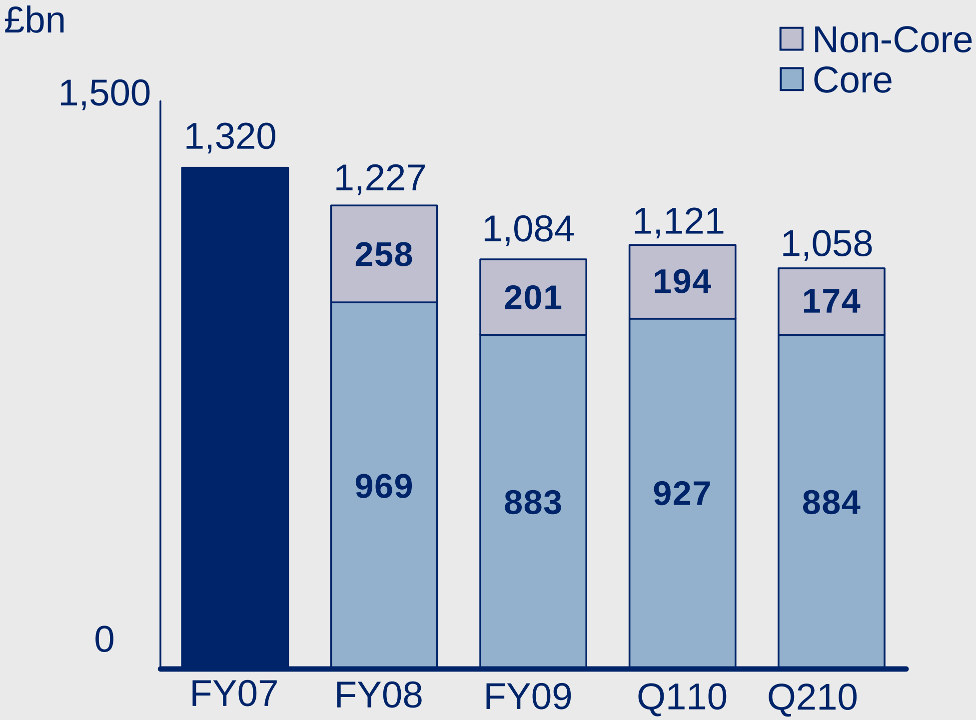
- REILs broadly stable q-o-q
- Group impairment charge stable q-o-q as a % of loans

- Q2 continues previous trends seen in 2009 and Q1
- Number of cases broadly flat, value of cases showing small decline
- Property remains the dominant sector

[1] Other is spread across a large number of sectors and includes TMT, Tourism & Leisure and Business Services
[2] Q409 excludes transfer to GRG reflecting revised management of Ulster Non-Core property portfolio

Balance sheet strengthening on track

Funded balance sheet road map FY07 – Q210



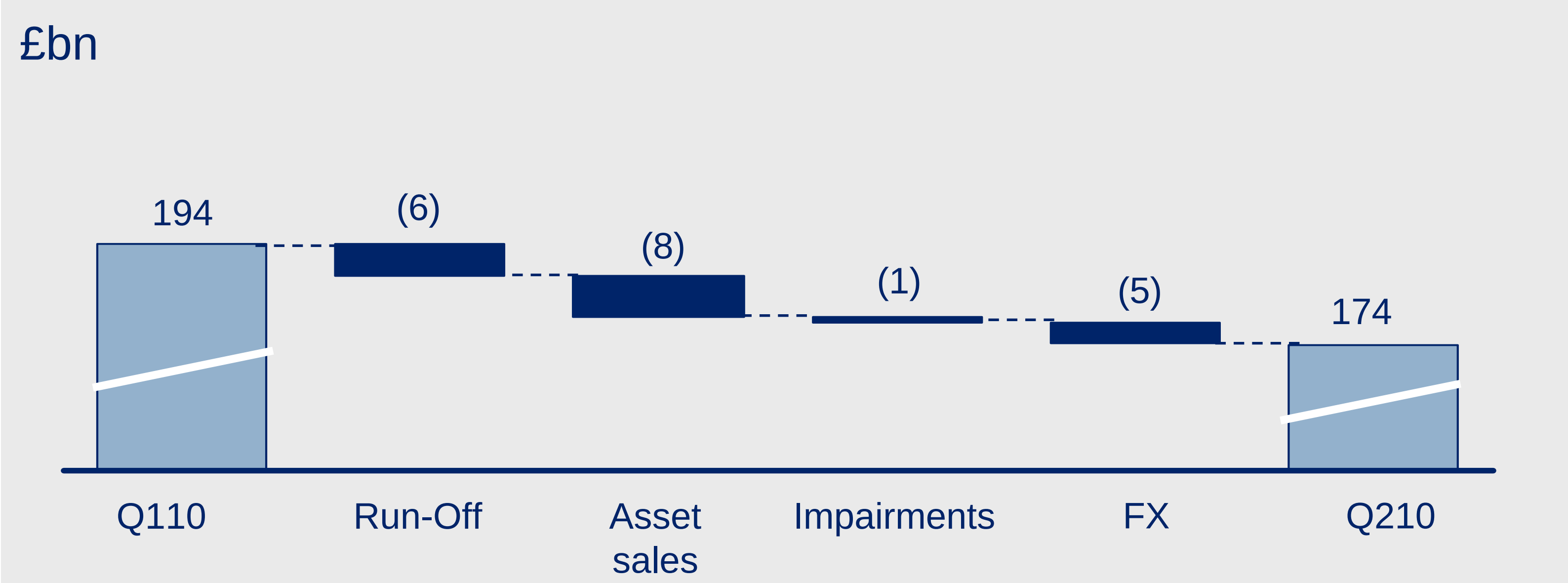
Key Metrics

	Q1 2010	Q2 2010
Funded balance sheet (£bn)	1,121	1,058
Leverage ratio[1]	17.6x	17.2x
Tangible common equity ratio[2]	5.1%	5.5%
Tangible equity per share	51.5p	52.8p
Core Tier 1 Ratio	10.6%	10.5%

- TPAs decreased 6% due primarily to Non-Core reduction and a smaller GBM balance sheet
- Non-Core TPAs[3] declined by a further £20bn (10%)
- GBM assets down £44bn reflecting a reduction in reverse repos, cash and securities
- Balance sheet ratios continue to be strong, tangible equity per share up 1.3p at 52.8p

[1] Tier 1 leverage ratio is based on total tangible assets (after netting derivatives) divided by Tier 1 capital
[2] Tangible common equity ratio is based on total tangible equity divided by total tangible assets (after netting derivatives)
[3] Excluding derivatives

Non-Core run-off[1]



- Non-Core assets decreased 10% (£20bn) during Q2
- Run-off driven by CRE, Corporate, and FV movements in trading assets
- Asset sales primarily Corporate
- Second half sales pipeline appears healthy (may accelerate some disposal losses)

[1] Third party assets excluding mark to market derivatives

Funding and liquidity

Evolution of Group funding mix towards more stable long-term funding sources[1]

	FY09		Q110		Q210	
	£bn	%	£bn	%	£bn	%
Deposits by banks	115.6	14	100.2	13	96.6	13
Wholesale <1 year	*139.0*	*50*	*127.9*	*47*	*106.1*	*43*
Wholesale >1year	*138.8*	*50*	*143.2*	*53*	*138.8*	*57*
Total wholesale	277.9	34	271.1	34	244.8	32
Customer deposits	414.3	51	425.1	53	420.9	55
Total	**807.8**	**100**	**796.4**	**100**	**762.3**	**100**

Key Funding Metrics

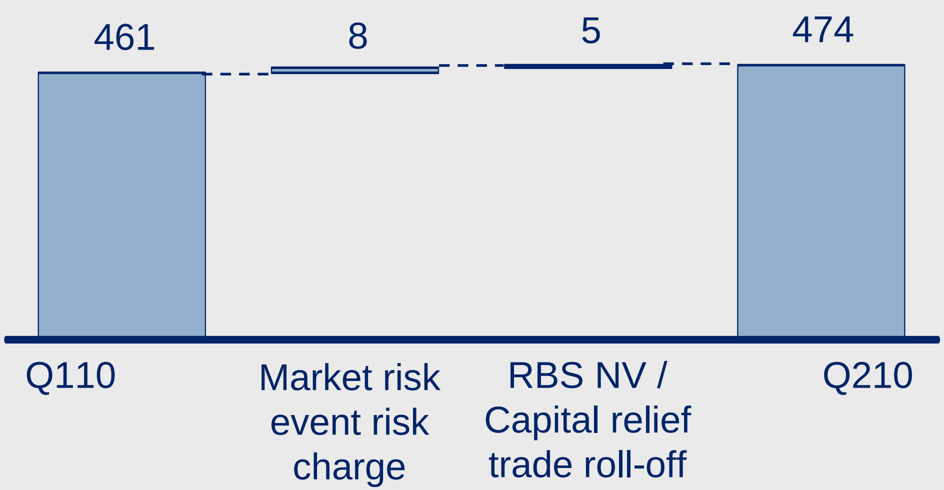
	FY09	Q110	Q210
Loan:deposit ratio (Group)[2]	135%	131%	128%
Core	104%	102%	102%
Loan:deposit gap (Group)[3]	£142bn	£131bn	£118bn
Core	£16bn	£10bn	£8bn
Liquidity reserves	£171bn	£165bn	£137bn
Of which central govt bond portfolio:	£20bn	£25bn	£25bn
Net Stable Funding Ratio[4]	90%	90%	92%
Wholesale funding > 1 year[5]	50%	53%	57%

- Reduction of £68bn in wholesale funding[5] between FY08 and Q210
- Mix of wholesale funding greater than 1 year increases to 57%, +7% from FY09
- Strong term issuance programme with c£17bn of public and private unguaranteed issuance ytd
- €15bn covered bond programme registered with the FSA on 01 April 2010, c€1.25bn issued to date

[1] Funding profile excluding derivatives, repos and other liabilities [2] Net of provisions [3] Net loans & advances to customers less customer deposits (excluding repos) [4] Net Stable Funding Ratio measures the level of net stable funding divided by long-term assets [5] Excluding bank deposits

RWA & Capital progression

RWAs £bn



- New market risk related event risk charge of £8bn
- Net impacts of RBS NV transition to Basel II and Capital relief trade roll-off £5bn
- Core RWAs flat

Core Tier One Ratio %

- RWA growth impact -0.4%
- Liability Management gain adds 0.3%
- Ratios remain robust and near the top end of peer group

[1] Includes pro-cyclicality, model changes and event risk

Concluding comments

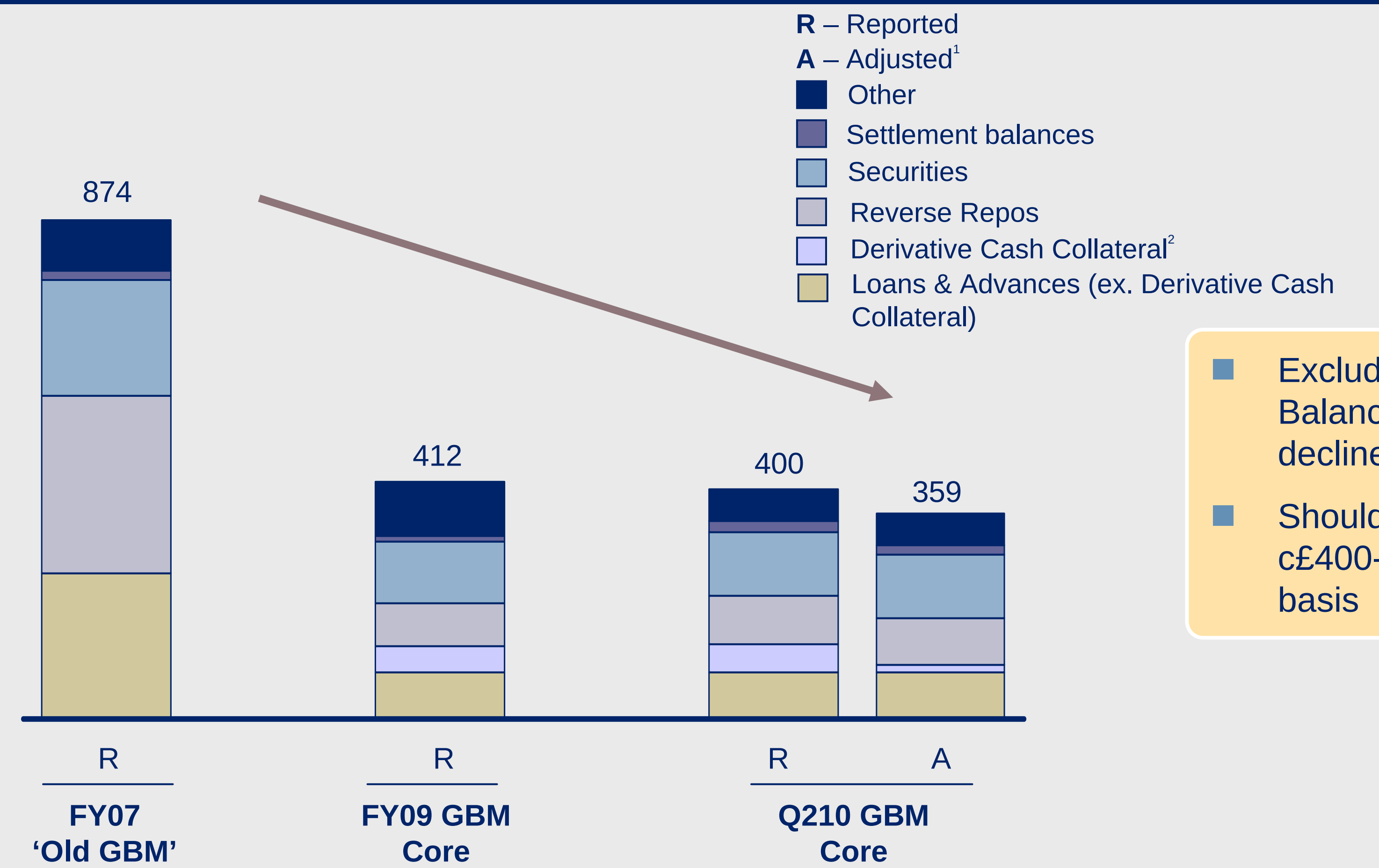
- Solid quarterly performance driven by strength of Core R&C franchise
- Recovery in NIM continues, outlook remains positive for rest of 2010
- We continue to reduce risk but remain vigilant as economic recovery remains fragile
- Capital ratios robust; regulatory changes still uncertain on timing and overall quantum
- Non-Core asset reduction on plan, targeting more in H2
- GBM performed in line with peers in Q2; activity levels still subdued
- We remain positive on our strategic plan progress, subject to external events

Questions?

Appendix

GBM Balance Sheet

GBM balance sheet – Continued focus on de-leveraging, £bn



- Excluding growth in Settlement Balances, third party assets declined 5% in H110
- Should continue in range of c£400-450bn on a reported basis

[1] Adjusted balances represent US GAAP compliant netted counterparty risk presentation for the Reverse Repos, Settlement Balances and Derivative Cash Collateral totalling £41bn. It should not be taken to represent a US GAAP compliant presentation of the overall balance sheet.
[2] Cash collateral posted in relation to derivative liabilities across GBM.

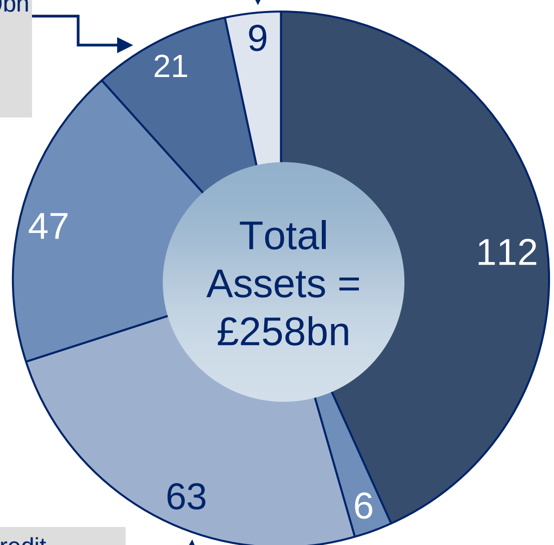
Non-Core make up by division

2008 Year-End funded assets

Other
- RBS Insurance £2.0bn
- Bank of China / Linea Directa £4.5bn
- Whole businesses £0.8bn
- ABN AMRO Shared Assets £1.5bn

Retail
- UK Mortgages & Personal Lending £3.2bn
- US Mortgages & Personal Lending £11.9bn
- Ireland Mortgages £6.5bn

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
- GBM CRE £38.7bn
- UK Corporate £11.4bn
- Ireland £9.9bn
- US £2.8bn

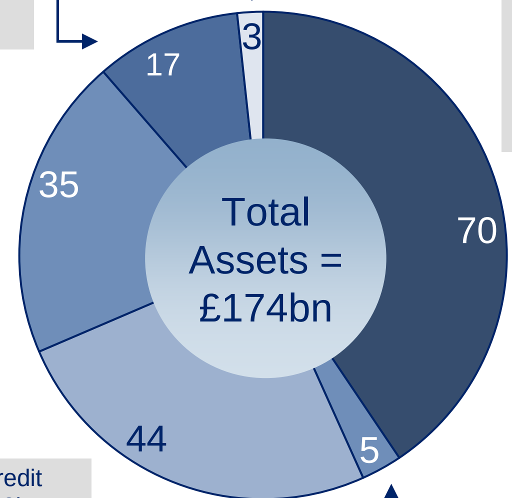
SME
- UK SME £4.2bn
- US SME £1.6bn

H1 2010 funded assets

Retail
- UK Mortgages & Personal Lending £4.1bn
- US Mortgages & Personal Lending £7.3bn
- Ireland Mortgages £5.5bn

Other
- RBS Insurance £1.5bn
- Whole businesses £0.4bn
- ABN AMRO Shared Assets £0.8bn

Corporate
- Project & Export Finance £18.5bn
- Asset Finance £21.6bn
- Leveraged Finance £10.4bn
- Corporate Loans & Securitisations £15.9bn
- Asset Management £1.8bn
- Countries £2.3bn



Markets
- Structured Credit Portfolio £15.8bn
- Equities £0.9bn
- Credit Collateral Financing £4.1bn
- Exotic Credit Trading £0.1bn
- Sempra £12.7bn
- Other Markets £1.5bn

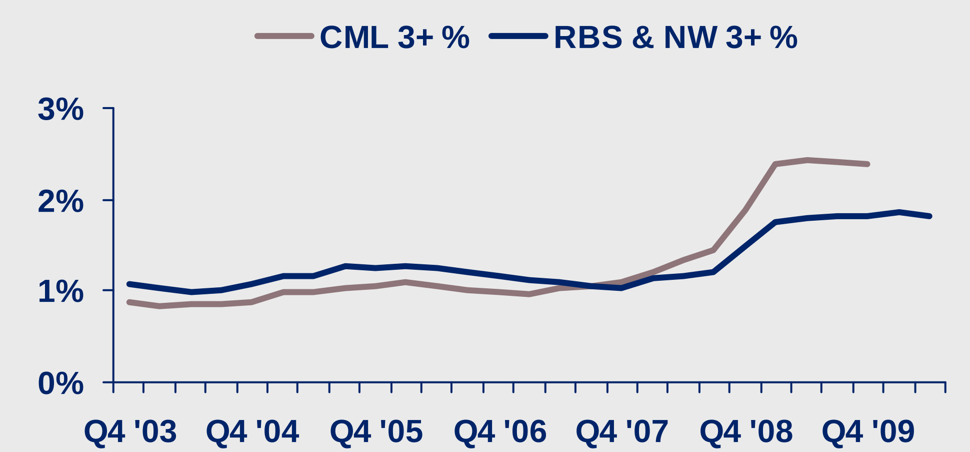
Commercial Real Estate
- GBM CRE £26.8bn
- UK Corporate £8.7bn
- Ireland £6.8bn
- US £1.7bn

SME
- UK SME £3.9bn
- US SME £0.8bn

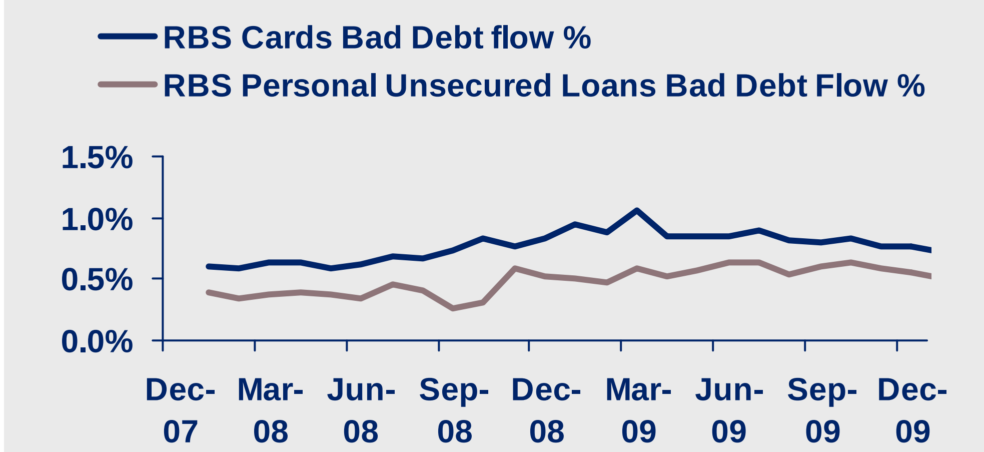
UK Retail & Business Banking Credit Indicators

RBS

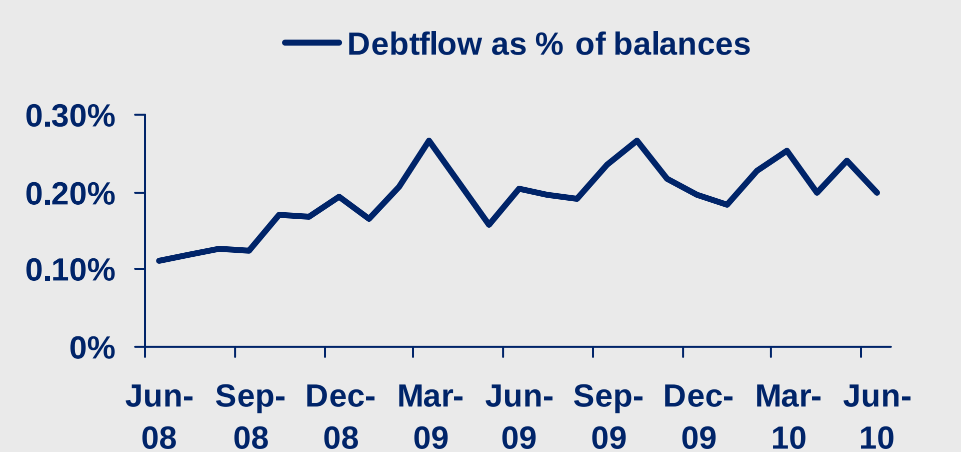
Mortgages – Arrears vs. CML[1]



Personal and Cards – Bad debt flows[2]



Business Banking – Debtflows[2]



- Overall, showing stability in the portfolios
- Low interest rates are assisting performance
- However, recovery is somewhat fragile, we will remain cautious

[1]Council of Mortgage Lenders

[2] Debt flow rate is calculated by looking at the monthly default balances (also known as transfer into recoveries or debt flow) as a % of total Loans & Receivables in that month