Consistent Progress

RBS Interim Results 2011

5th August 2011

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; expected benefits from partnerships; 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 for today

Philip Hampton	Introduction
Stephen Hester	Q2 2011 Highlights and Business Review
Bruce Van Saun	Finance & Risk Review

Highlights and Business Review

Stephen Hester, Group Chief Executive Officer

Business Achievements

Solid performance in challenging market conditions

- H1 Group operating profit up 65% y-o-y to £1.9bn due to reduced Non-Core losses
- In Q2 R&C again improved performance - UK Retail strongest contributor
- Insurance & US R&C – continued turnaround; Ulster impairments began to decline
- GBM fell back from a strong Q1 - risk aversion dampened client activity – H1 RoE still 15%

Key business metrics include:

- TNAV up 0.2p to 50.3p; Core Tier 1 at 11.1%
- Group provision coverage increased to 49%
- Cost : Income ratio improved to 56%; H1 Core impairments down 17% vs 2010

Continuing momentum in business de-risking

- Non-Core funded assets down £12bn, 10%, in Q2; on target for full year goal
- Funding and liquidity position strong, Group LDR improved to 114%, Core LDR at 96%

Working through the issues of the past

- £850m provision for PPI claims
- £733m provision for Greek government bond exposure

Supporting the UK economy

- £44.2bn[1] of new lending to UK businesses, including £20.3bn[2] to SMEs
- Gross new mortgage lending share remained strong at 10%

[1] H1 2011. [2] £15.5bn of gross new loans and facilities and £4.8bn of overdraft renewals.

Financial Highlights Q2 11 vs prior year

Core Business:

	Q211	Q210	
Operating profit[1]	£1.7bn	£1.6bn	+6% driven by UK Retail performance and Insurance turn-around
Return on Equity[1,2]	12%	12%	Momentum in UK Retail offset by subdued GBM
R&C NIM	3.22%	3.11%	+11bps due to higher asset margins, offsetting higher funding & liquidity costs
Cost : income ratio[1,3]	58%	57%	Reduction in GBM income driving increase in C:I ratio
Impairments	£0.9bn	£1.1bn	Reduction in most divisions, most notably GBM, UK Retail, US R&C
Loan : deposit ratio[4]	96%	102%	LDR improved, better than 2013 target of 100%

Group Progress:

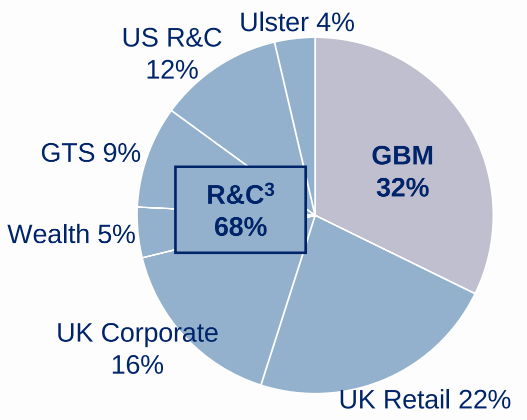
	Q211	Q210	
Operating profit	£818m	£250m	Recovery largely due to lower Non-Core losses
Non-Core funded assets	£113bn	£174bn	Reduction achieved, on target to be <10% of group assets FY11
Capital strength	11.1%	10.5%	Robust capital position enhanced

[1] Excluding Fair Value of Own Debt (FVoD). [2] Equity allocated based on share of Group tangible equity. [3] Adjusted C:I ratio net of insurance claims. [4] Net of provisions.

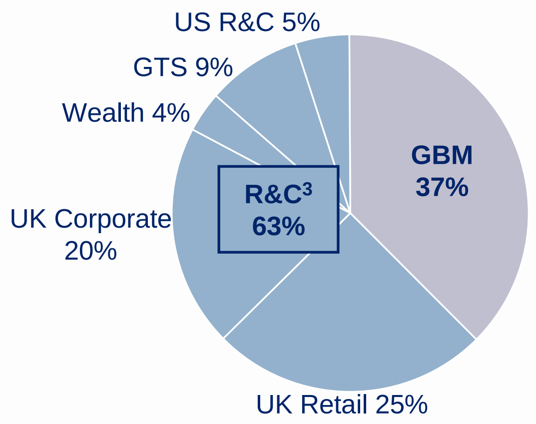
Core Bank – 2011 business make-up

A balanced business portfolio

H111 revenues[1] by division

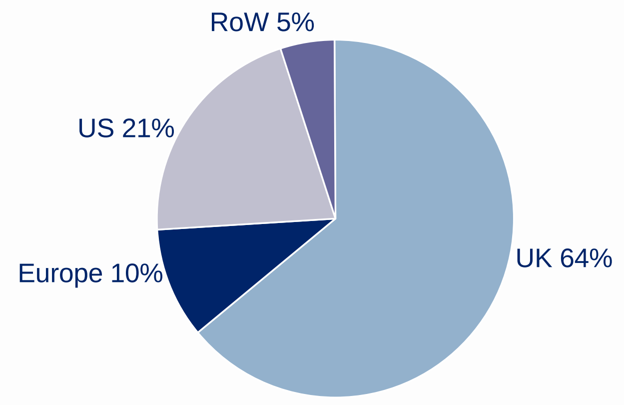


H111 operating profit[1,2] by division



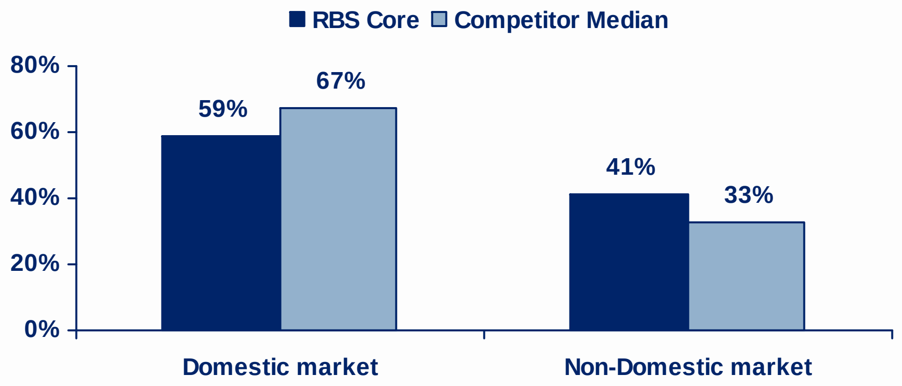
...with good geographic coverage

H111 revenues by geography

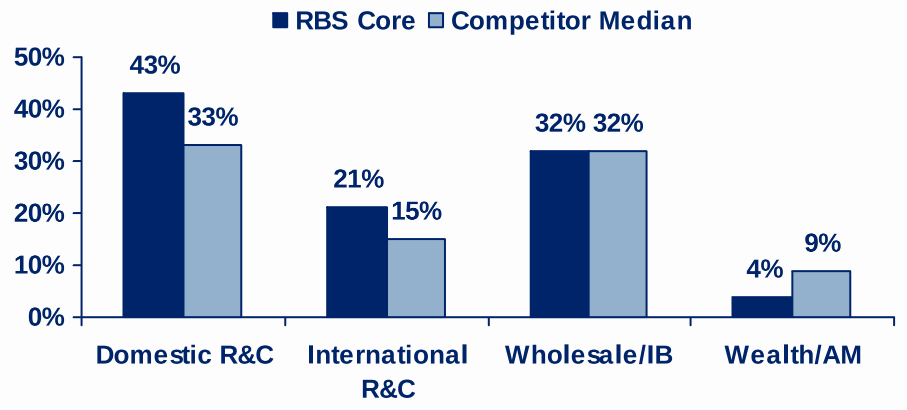


Business mix versus peers

2010 Revenues by geography vs peer average[4]



2010 Revenues by business mix vs peer average[4]



[1] RBS Core excluding RBS Insurance and Central items. [2] Excludes Ulster Bank. [3] Retail & Commercial. [4] Based on FY10 results, peers consist of Bank of America Merrill Lynch, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, LBG, Mitsubishi UFJ, Morgan Stanley, Nomura, Santander, Societe Generale, Sumitomo, UBS.

Progress versus 2009–13 plan targets

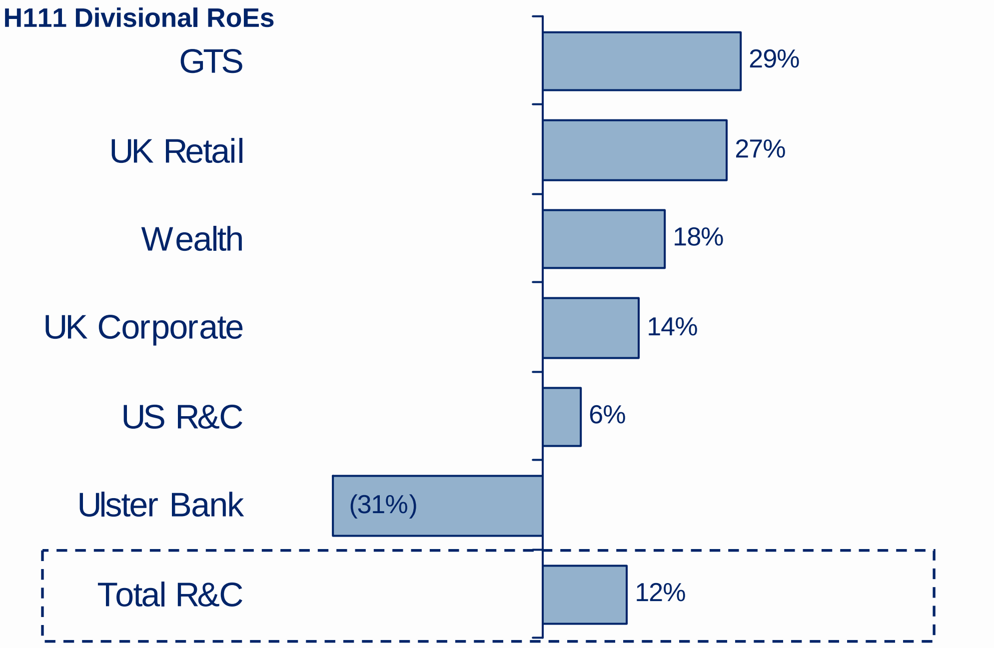
Group – Key performance indicators	Worst point	Q2 10 Actual	Q2 11 Actual	2013 Target
Loan : deposit ratio (net of provisions)	154%[1]	128%	114%	c100%
Short-term wholesale funding[2]	£297bn[3]	£163bn	£148bn	<£125bn
Liquidity portfolio[4]	£90bn[3]	£137bn	£155bn	c£150bn
Leverage ratio[5]	28.7x[6]	17.2x	17.8x	<20x
Core Tier 1 Capital ratio	4%[7]	10.5%	11.1%	>8%[15]
Return on Equity (RoE)	(31%)[8]	Core 12%[9,10]	Core 12%[9,10]	Core >15%
Cost : income ratio[12]	97%[11]	Core 57%[10]	Core 58%[10]	Core <50%

Divisions – Key performance indicators	Worst point	Q2 10 Actual	Q2 11 Actual	2013 Target
Retail & Commercial:				
RoE	7%[13]	11%	12%	>20%
Cost : income ratio[12]	60%[13]	55%	55%	c45%
Loan : deposit ratio[14]	99%[3]	90%	87%	<90%
GBM:				
RoE	(9%)[3]	15%	9%	>15%
Cost : income ratio[12]	169%[3]	53%	69%	c.55%
Non-Core:				
Third Party Assets	£258bn[3]	£174bn	£113bn	£30-40bn

[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 (c70% of Group tangible equity based on RWAs). [10] Excluding fair value of own debt (FVoD). [11] 2008. [12] Adjusted cost:income ratio net of insurance claims. [13] As of December 2009. [14] Net of provisions. [15] Under review.

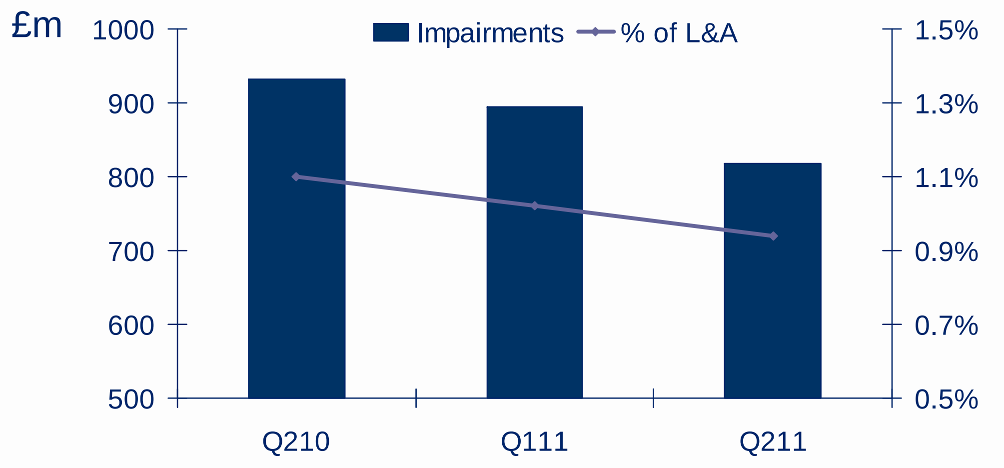
Retail & Commercial

Focused on sustainable value

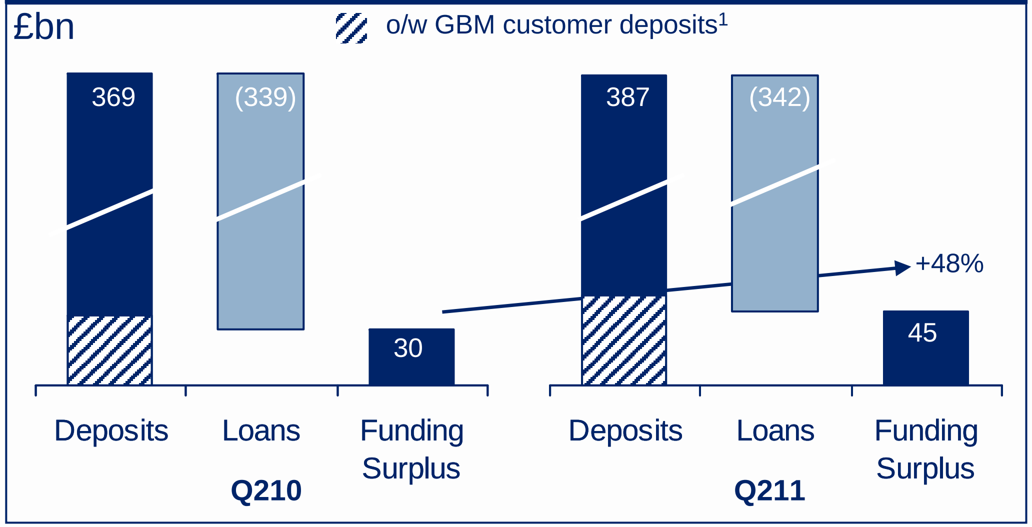


- Business improvement efforts delivering
- Credit outlook - still improving
- Slow economic growth and low interest rates soften the trajectory
- Muted loan demand overall, although UK mortgage (+8% y-o-y) and US Commercial (+10% y-o-y) show good loan growth

Improving risk



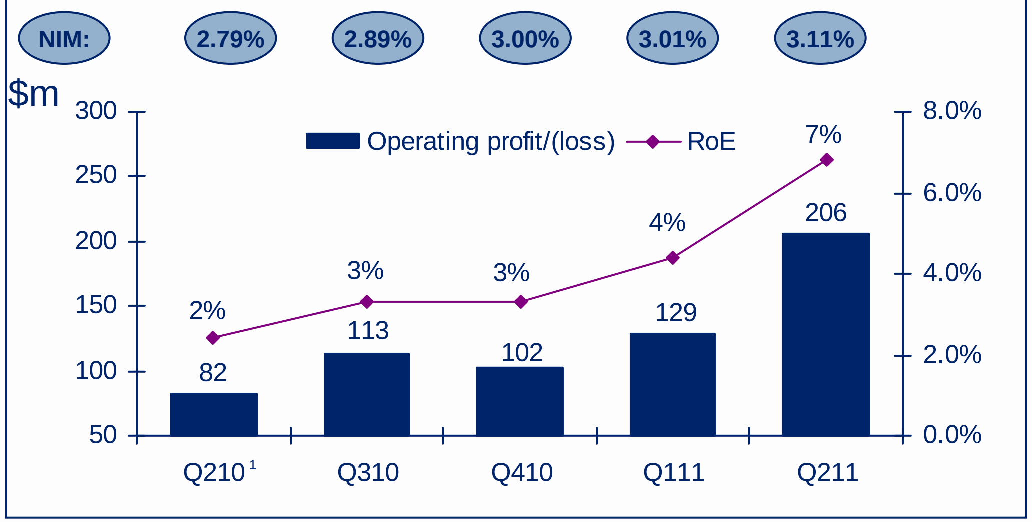
Improving balance sheet structure



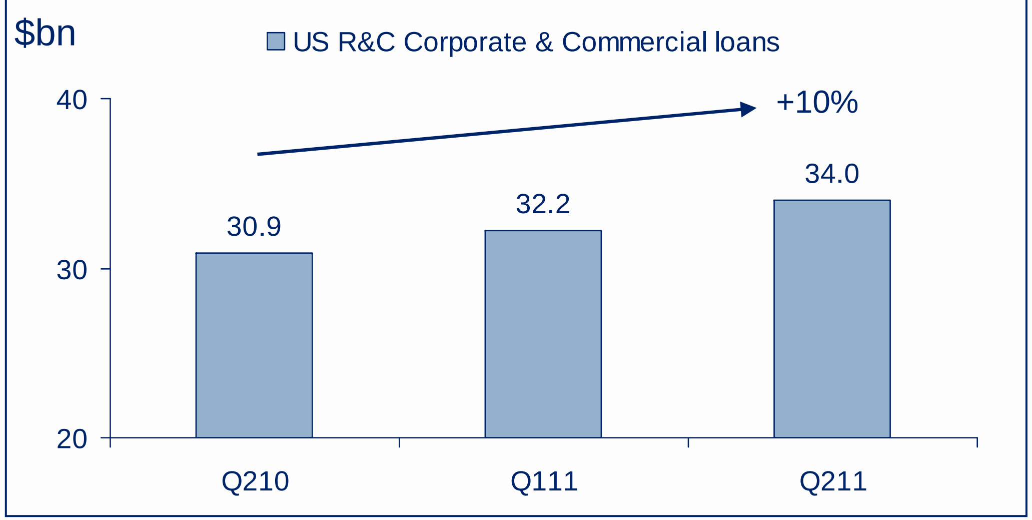
[1] GTS deposits contributed by GBM customers were £41.6bn at Q210 and £53.8bn at Q211.

Retail & Commercial – Progress in the turnarounds

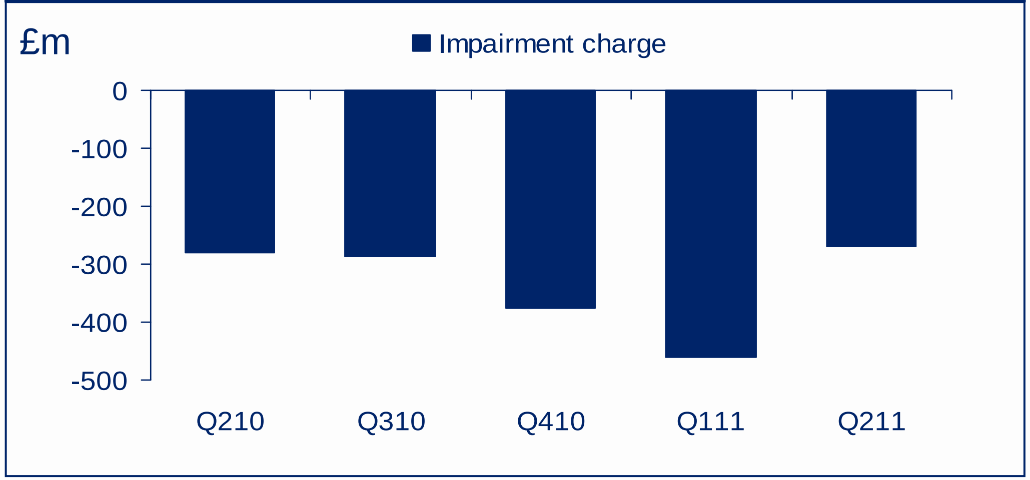
Improving operating profit and RoEs in US R&C



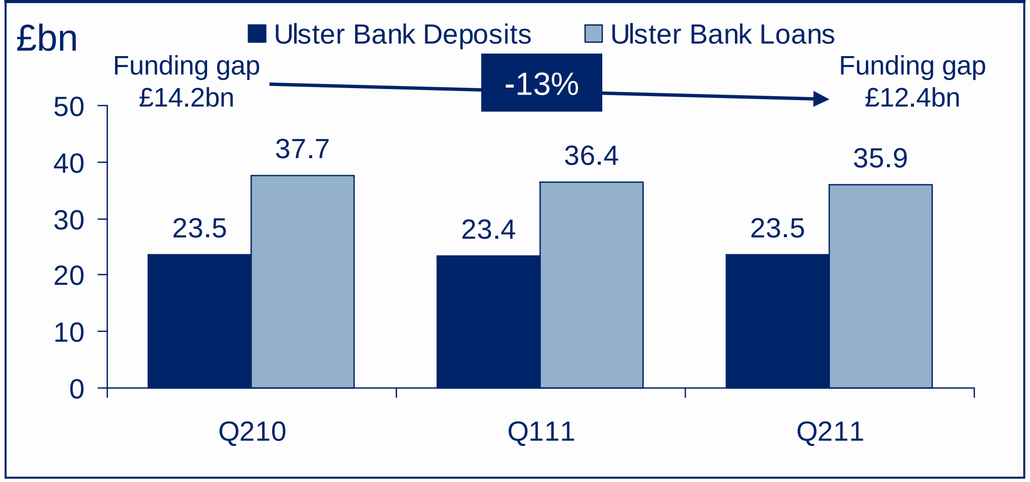
US R&C commercial loan growth



Turning the corner on Ulster Bank provisioning[2]



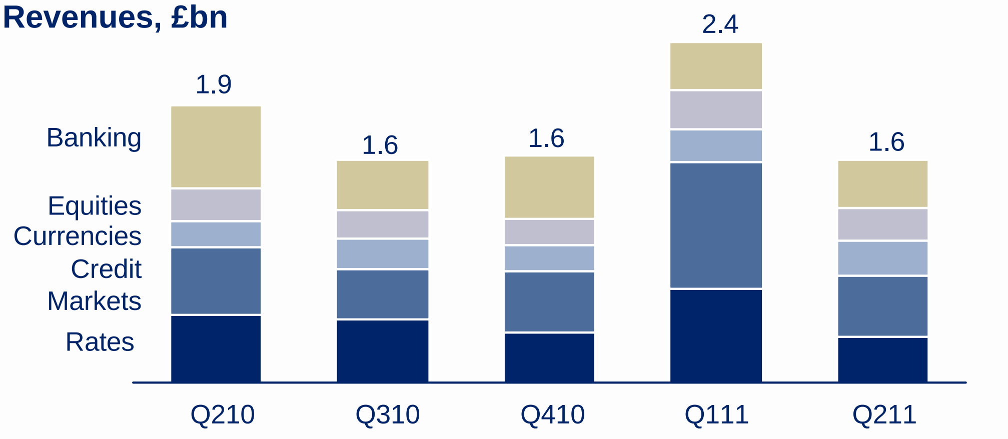
Sustaining customers while improving funding profile[3]



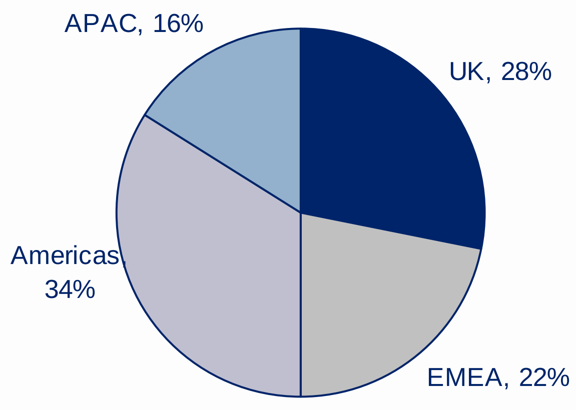
[1] Excludes $113m pension credit [2] Core Ulster Bank. [3] At CFX

GBM

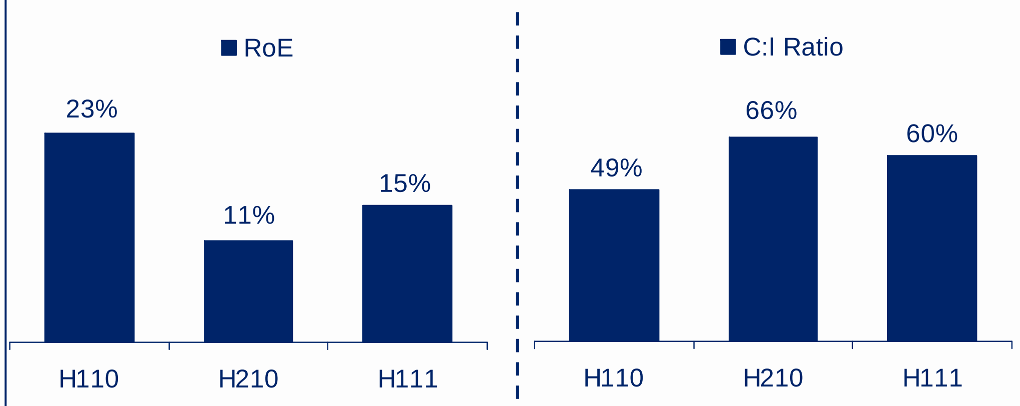
Primary focus in macro, financing & risk management



A balanced geographic mix[1]



Working to retain through the cycle value creation and efficiency ratios



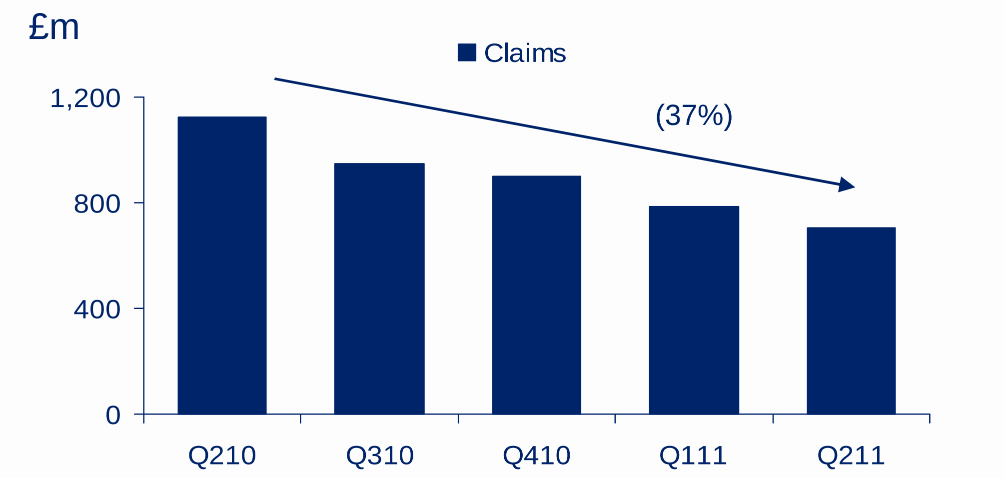
Key issues

- Intense focus on steering through tough market safely while sustaining client franchises
- Additional cost measures underway
- Major change programme continuing: Basel III; RBS NV migration to RBS plc; E-commerce investment
- Client activity reduced due to Sovereign concerns and subsequent low risk appetite
- We remain cautious until macro concerns settle

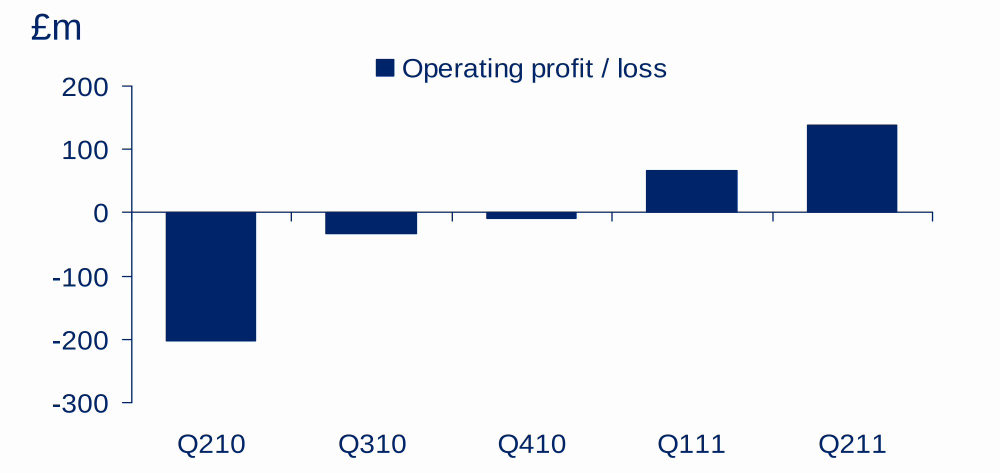
[1] Q211

Insurance

Risk profile adjustments made



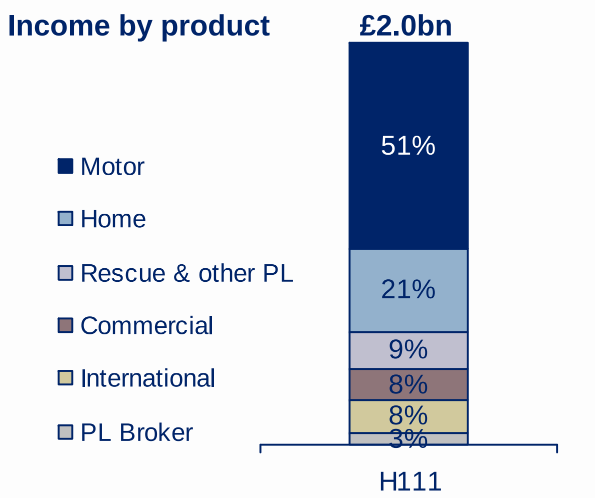
Helping drive a return to profitability



Sustained market position[1]

	Market rank	Market share
Motor	#1	18%
Home	#1	14%
Pet	#3	13%
Travel	#4	10%
Personal Lines	#1	12%

A diversified business mix

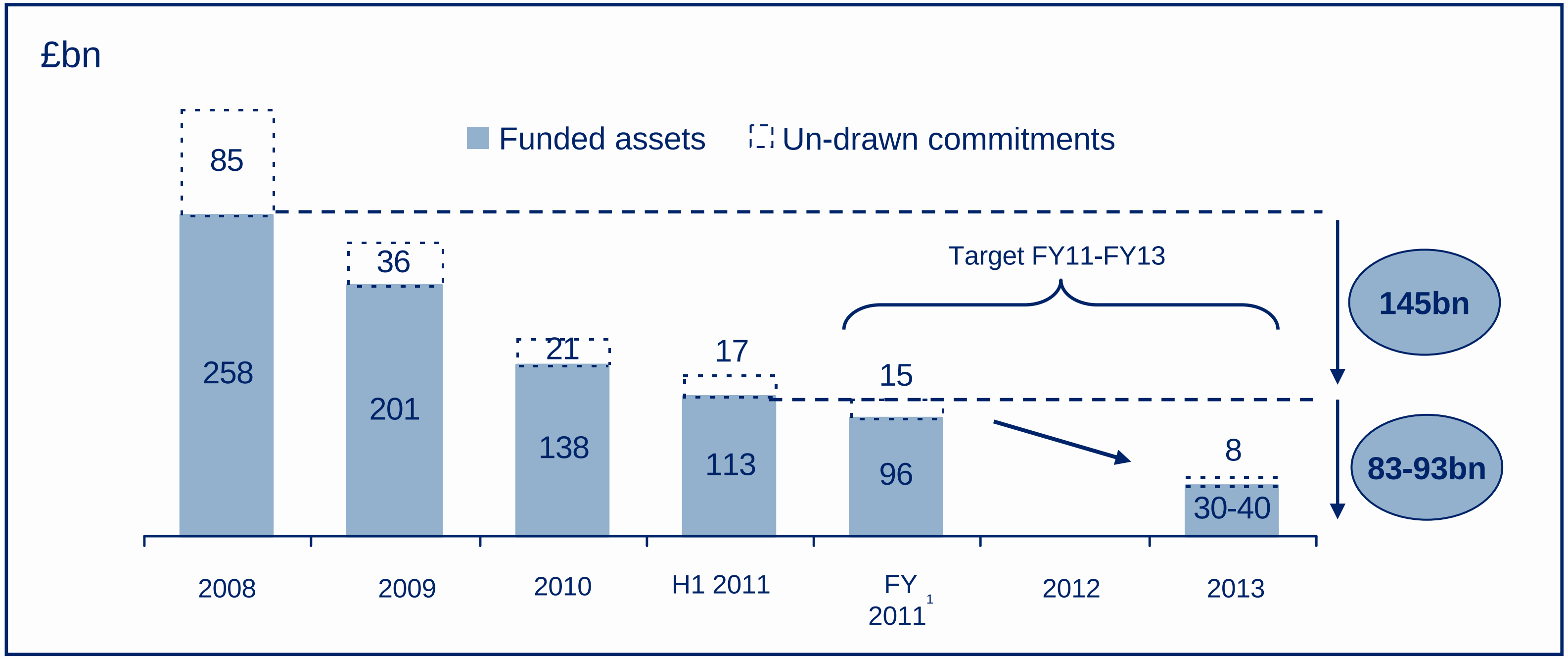


Update

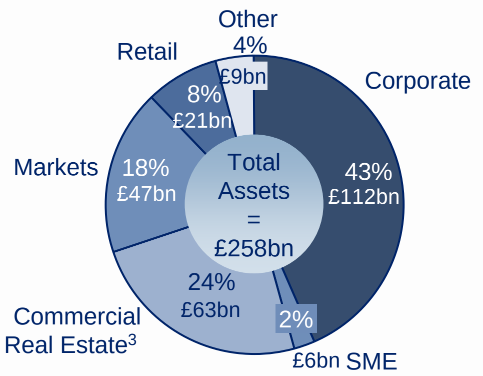
- On-track for commencement of IPO/sale process H2 2012
- Intense programmes on cost, claims and customer targeting
- Good progress on distribution partnerships

[1] Source FSA 2010 Returns.

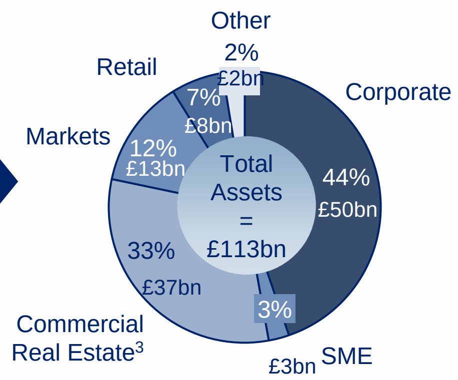
Non-Core run-down progress



FY08 funded assets



Q211 funded assets



- Funded assets down 56% from FY08 reflecting:
  - £62bn (55%) in Corporate
  - £34bn (72%) reduction in Markets
  - £26bn (41%)[4] reduction in CRE
  - £13bn (62%) reduction in Retail

[1] Previous target for funded assets for 2011 was £118bn. [2] Excludes FY08 impairments of £4.9bn. [3] Affected by the replacement of Irish Mortgages with Irish Commercial Real Estate announced at H1 2010 results. As at 30 June 2010 the CRE portfolio transferred was £5.0bn [4] 46% reduction on a like-for-like basis adjusting for transfer of Irish mortgages to CRE portfolio – see footnote 3

Outlook

External uncertainties	▪ Subdued economic and interest rate outlook ▪ Sovereign debt issues still uncertain ▪ Irish economy may be stabilising ▪ Basel III framework becoming clearer ▪ Independent Banking Commission report due September
Internal progress	▪ R&C underlying progress continuing ▪ Under-performers improving (Insurance, US R&C, Ulster) ▪ GBM - cautious outlook ▪ Non-Core on track: — continued path of risk reduction — lower impairments and higher disposal losses going forward

Finance and Risk Review

Bruce Van Saun, Group Finance Director

Group Financial Highlights

	Q211 £m	Q111 £m	Q210 £m
Income	7,767	8,033	8,163
Operating expenses	(3,892)	(4,121)	(4,103)
Claims	(793)	(912)	(1,323)
Operating profit before impairment losses	**3,082**	**3,000**	**2,737**
Impairment losses	(2,264)	(1,947)	(2,487)
Operating profit/(loss)	**818**	**1,053**	**250**
Other[1]	(1,496)	(1,169)	924
Profit/(loss) before tax	(678)	(116)	1,174
Attributable profit/(loss)	(897)	(528)	257
Net interest margin	**1.97%**	**2.03%**	**2.03%**
Adjusted cost:income ratio[2]	**56%**	**58%**	**60%**

Capital & Balance Sheet	**30 Jun 11**	**31 Mar 11**	**30 Jun 10**
Funded balance sheet	**£1,051bn**	**£1,052bn**	**£1,058bn**
Risk-weighted assets (pre APS)	**£529bn[3]**	**£538bn[3]**	**£597bn[3]**
Core tier 1 ratio	**11.1%**	**11.2%**	**10.5%**
Net tangible equity per share	**50.3p**	**50.1p**	**52.8p**

[1] Includes fair value of own debt (FVoD), restructuring & integration costs, APS CDS fair value changes, credit market event, gain on redemption of own debt, PPI and strategic disposals. See slide 15. [2] Calculated using income net of insurance claims. [3] Excludes £95bn RWA relief as of 30th June 2011, £98bn as at 31st March 2011 and £123bn at 30th June 2010.

Net Interest Income

Net Interest Income						
£m	Q210	Q310	Q410	Q111	Q211	Q-o-Q
Reported NII	3,684	3,404	3,578	3,302	3,233	*(2%)*
R&C NII	**2,731**	**2,803**	**2,818**	**2,812**	**2,812**	***0%***
Group AIEA[1]	704.3	676.3	661.4	658.6	661.7	*0%*
R&C AIEA[1]	**351.7**	**347.5**	**348.3**	**348.7**	**350.0**	***0%***

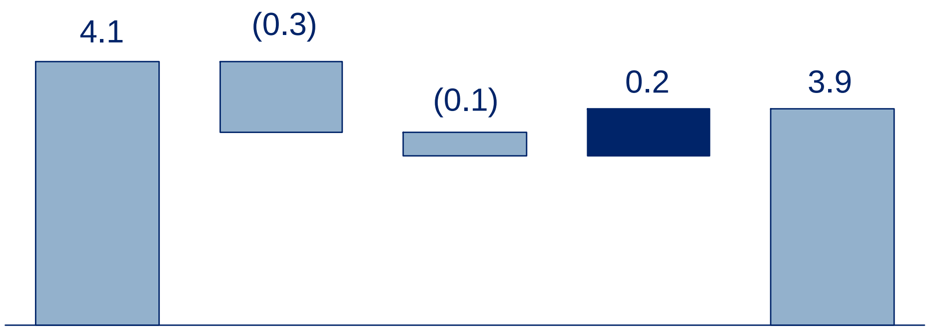
NIM[2]						
%	Q210	Q310	Q410	Q111	Q211	Q-o-Q
Reported R&C	3.11	3.20	3.21	3.27	3.22	*(5bps)*
Underlying R&C[3]	**3.11**	**3.20**	**3.21**	**3.21**	**3.22**	***1bp***
GBM	1.01	1.13	0.93	0.76	0.70	*(6bps)*
Non-Core	1.23	1.04	1.09	0.90	0.87	*(3bps)*
Group[4]	**2.03**	**2.03**	**2.02**	**2.03**	**1.97**	***(6bps)***

- Robust underlying performance in R&C, up 1bps q-o-q; 11bps y-o-y
- R&C represents 87% of Group NII
- GBM impacted by subdued Money Markets income
- Group NIM partly impacted by incremental cost of funding and liquidity (2bps)[4]
- Outlook for R&C NIM stable in H211 in absence of interest rate rises

[1] Average Interest Earning Assets, £bn. [2] Days basis. [3] Underlying Q111 NIM excludes one off income adjustment in UK Corporate. [4] Incremental cost of funding & liquidity 3bps Q111 and 2bps Q410.

Group Operating Expenses

Operating expenses, Q111-Q211



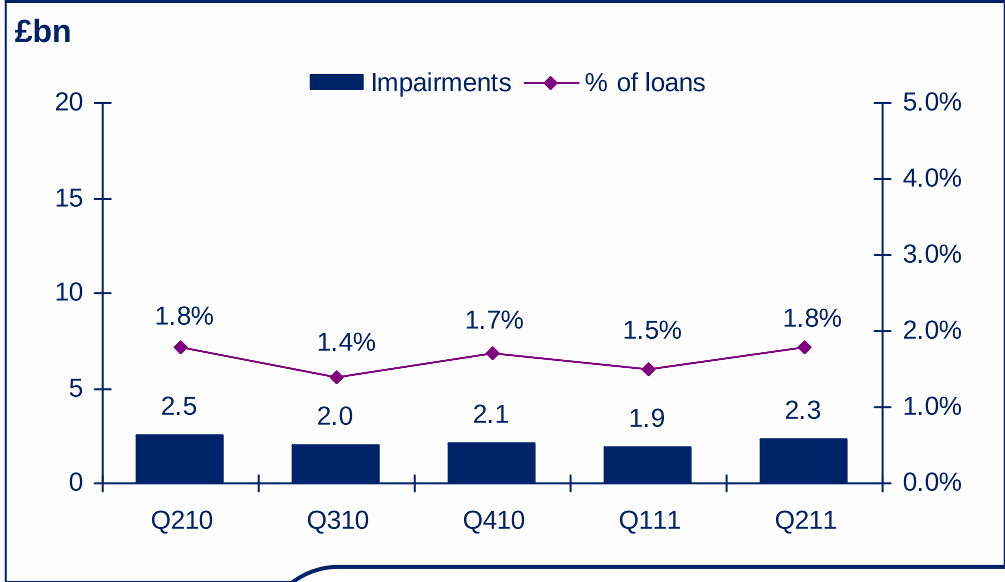
Operating expenses, Q210-Q211

	Q211 £m	Q111 £m	Q210 £m	Q211 vs Q111	Q211 vs Q210
Staff costs	2,099	2,320	2,178	(10%)	(4%)
Premises & equipment	563	556	516	1%	9%
Other	834	865	974	(4%)	(14%)
Administrative expenses	**3,496**	**3,741**	**3,668**	**(7%)**	**(5%)**
Depreciation & amortisation	396	380	435	4%	(9%)
Operating expenses	**3,892**	**4,121**	**4,103**	**(6%)**	**(5%)**

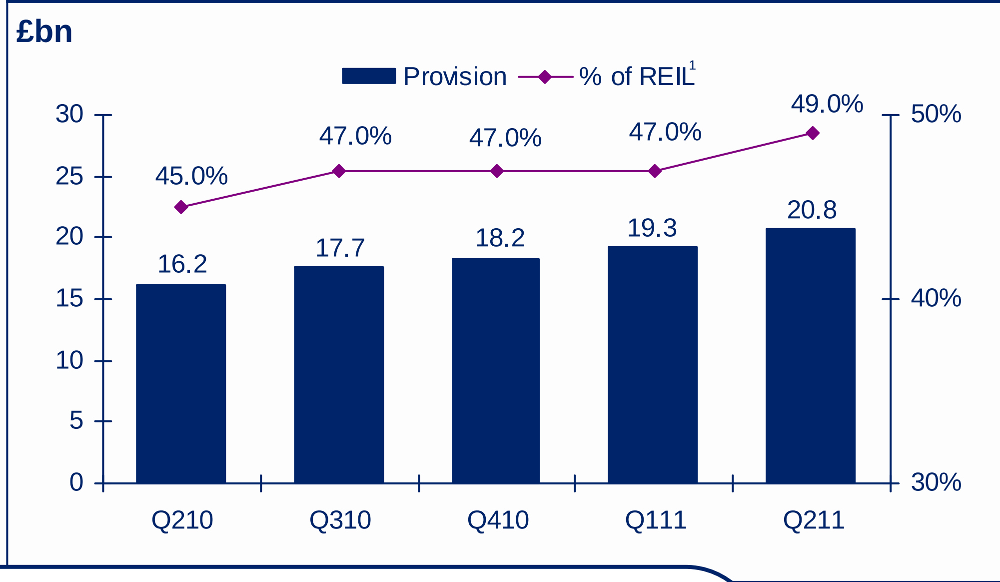
- Cost efficiencies achieved - Q2 costs down 6% despite increased technology investment
- GBM costs down 18% reflecting lower income
- Core cost:income ratio 58% Q2; 50% remains medium-term target
- Cost saving programme expected to exceed initial target of £2.5bn; anticipate £3.3bn annualised savings by 2013
- Actively working on further cost initiatives

Impairments and REIL

Impairment trends, Q210 – Q211



Provisions and coverage, Q210 – Q211



- £1.5bn increase in balance sheet provision in Q2 to £20.8bn
- Q2 Group impairments rose c£300m, as Non-Core saw a provision on Irish land values and some individual corporate cases
- Ulster Bank combined[2] impairment charge of £1,251m, £49m lower than Q111
- Core impairments declined 2% due to improving trends in Core Ulster and US R&C, partially offset by some individual corporate cases in UK Corporate
- Overall, trends relatively stable; expect Irish impairments to decline in H2

[1] Provision balance as a percentage of REIL. [2] Ulster Bank Core and Non-Core.

Below the line items

£m	Q211 £m	Q111 £m	Q211 vs Q111 £m
FVoD	339	(480)	819
APS CDS fair value changes	(168)	(469)	301
Amortisation of purchased intangible assets	(56)	(44)	(12)
Integration & restructuring costs	(208)	(145)	(63)
Gain on redemption of own debt	255	-	255
PPI	(850)	-	(850)
Credit market event - Greece	(733)	-	(733)
Other	(75)	(31)	(44)
Total	**(1,496)**	**(1,169)**	**(327)**
Tax			
Tax credit at statutory rate	179	31	
Actual tax (charge)/credit	(222)	(423)	
Difference	**(401)**	**(454)**	

- Cumulative APS charge now £2.2bn vs minimum fee of £2.5bn
- Q2 charges of £1.6bn for PPI (£850m) and full MTM impairment of Greek bonds (£733m)
- Higher restructuring costs primarily reflect commencement of programme moving RBS NV assets into RBS plc
- Tax charge still elevated due to non-recognition of tax on Irish losses (£0.2bn) and Greek impairment (£0.2bn)

Core Performance

	Q211 £m	Q111 £m	Q210 £m
Net Interest Income	3,000	3,052	3,212
Non Interest Income	3,789	4,495	4,095
Income	**6,789**	**7,547**	**7,307**
Operating expenses	(3,557)	(3,798)	(3,528)
Claims	(703)	(784)	(1,108)
PBIL[1]	**2,529**	**2,965**	**2,671**
Impairment losses	(853)	(872)	(1,097)
Operating profit	**1,676**	**2,093**	**1,574**

- R&C operating profit up 23% H111 vs H110, 36% on an underlying[2] basis
- R&C Q2 income up 1% q-o-q, reflecting good UK Retail, US R&C and GTS performance
- Much improved claims performance in Insurance, down 37% y-o-y
- Impairment losses down modestly in Q2 due to stabilisation in Ulster Bank

[1] Profit before Impairment Losses. [2] Underlying excludes GMS contribution within GTS and Citizens pension curtailment gain in H110, and UK Corporate one–off credit related to income deferral assumptions in H111.

Core by Division

UK Retail	Q211 £m	Q111 £m	Q211 vs. Q111 %	Q211 vs. Q210 %
Income	1,419	1,380	3%	7%
PBIL	731	702	4%	27%
Impairments	(208)	(194)	7%	(31%)
Operating profit	523	508	3%	89%
UK Corporate				
Income	966	1,021	(5%)	(2%)
PBIL	563	598	(6%)	(4%)
Impairments	(218)	(105)	108%	10%
Operating profit	345	493	(30%)	(12%)
Wealth				
Income	297	281	6%	12%
PBIL	77	85	(9%)	(13%)
Impairments	(3)	(5)	(40%)	(57%)
Operating profit	74	80	(8%)	(9%)
GTS				
Income	560	542	3%	(14%)
PBIL	218	207	5%	(23%)
Impairments	(54)	(20)	n.m.	n.m.
Operating profit	164	187	(12%)	(41%)

UK Retail

- Operating profit up 3% q-o-q, revenues +3%, costs +1%
- NIM remained steady with mix still impacting: mortgage balances up, unsecured lending down
- Non interest income up 10% q-o-q due to transactional fees and investment related sales

UK Corporate

- Non-repeat of deferred fee income recognition in Q2 – underlying lending income broadly flat on Q1
- Impairments up q-o-q due to some individual corporate cases and lower releases, down 16% h-o-h

Wealth

- Strong income growth; lending, deposit and treasury income driving healthy NII improvement
- Increased technology spend in Q2
- Lending volumes up 2%, deposits and AUM stable

GTS

- Income growth of 3%, driven by good performance across all product lines
- Third party assets increased by 11%, driven by Trade Finance and International Cash Management
- Deposits up £11bn, 17%, vs H110

Core by Division

Ulster Bank	Q211 £m	Q111 £m	Q211 vs. Q111 %	Q211 vs. Q210 %
Income	222	220	1%	(10%)
PBIL	80	84	(5%)	(23%)
Impairments	(269)	(461)	(42%)	(4%)
Operating loss	(189)	(377)	50%	(7%)
US R&C ($m)				
Income	1,165	1,112	5%	0%
PBIL	313	306	2%	(23%)
Impairments	(107)	(177)	(40%)	(50%)
Operating profit	206	129	60%	6%
GBM				
Income	1,550	2,380	(35%)	(20%)
PBIL	483	1,074	(55%)	(47%)
Impairments	(37)	24	n.m.	(77%)
Operating profit	446	1,098	(59%)	(41%)
Insurance				
Income	977	1,006	(3%)	(9%)
Claims	(704)	(784)	(10%)	(37%)
Operating profit	139	67	107%	n.m.

Ulster Bank

- Impairment losses down 42% driven by a reduction in mortgage book charges
- Customer deposits up 2% q-o-q
- Direct costs flat, reflecting tight cost management

US R&C

- Operating profit up 60% q-o-q, ROE recovered to 7%
- Impairments down 40% driven by improvements across the portfolio
- L&A up on previous quarter due to strong growth in commercial loans

GBM

- Revenues down vs seasonally strong Q1
- Subdued rates performance reflecting difficult interest rate environment and higher funding costs
- Balance sheet and RWAs carefully managed

Insurance

- Profitability doubled in Q2 to £139m
- Ongoing re-engineering drove 7% reduction in costs
- Underwriting and process improvements drove 10% reduction in claims

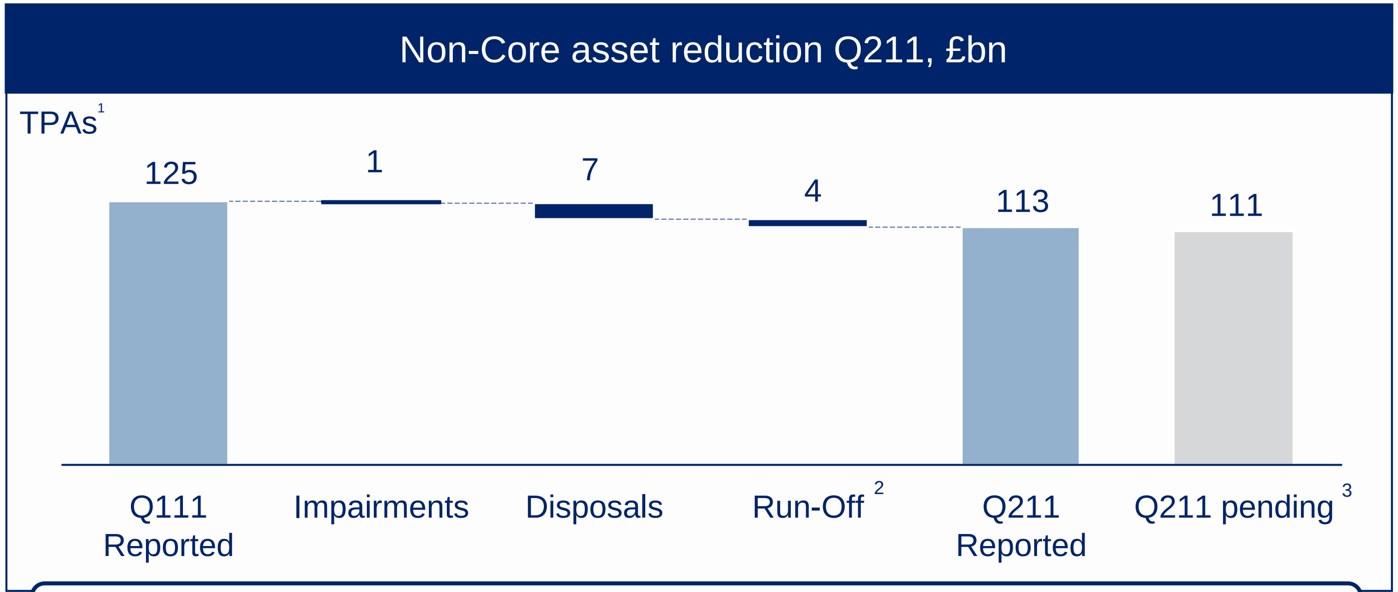
Non-Core Performance

	Q211 £m	Q111 £m	Q210 £m
Net Interest Income	285	303	534
Non Interest Income	693	183	322
Total income	**978**	**486**	**856**
Operating expenses	(335)	(323)	(575)
PBIL[1]	**643**	**163**	**281**
Claims	(90)	(128)	(215)
Impairment losses	(1,411)	(1,075)	(1,390)
Operating profit/(loss)	**(858)**	**(1,040)**	**(1,324)**
TPAs[2], £bn	113	125	174
RWAs[3], £bn	125	129	175

- Strong income performance reflecting sizeable securities gains from restructured positions
- Impairments up c£300m due primarily to Irish land value provision and some individual corporate cases
- Provision coverage now 48%

[1] Profit before impairment losses. [2] Third party assets, excluding derivatives. [3] Includes Sempra RWAs of £1.9bn as at 30th June 2011, £2.4bn at 31st March 2011 and £9.7bn as at 30th June 2010.

Non-Core Run-Down Q211



- Run-down on track, down £12bn Q2 to £113bn
- £7bn of disposals, including £5bn of Q1 pending deals
- On track for <£100bn of assets at FY11 or <10% of Group funded assets

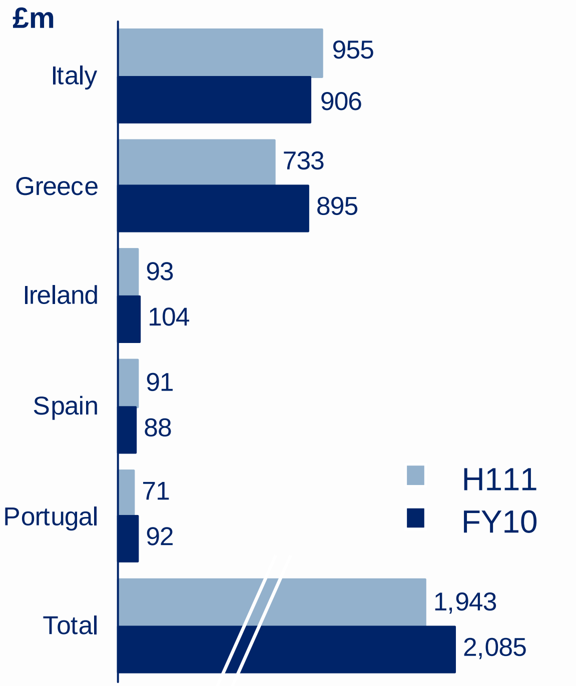
[1] Third party assets excluding derivatives. [2] Net of rollovers and drawings. [3] Shows impact of signed but not completed (SBNC) disposals. Pending equal to Total TPAs (excl derivatives) as at Q211 less SBNC transactions

Risk, Funding and Capital

Reducing Risk

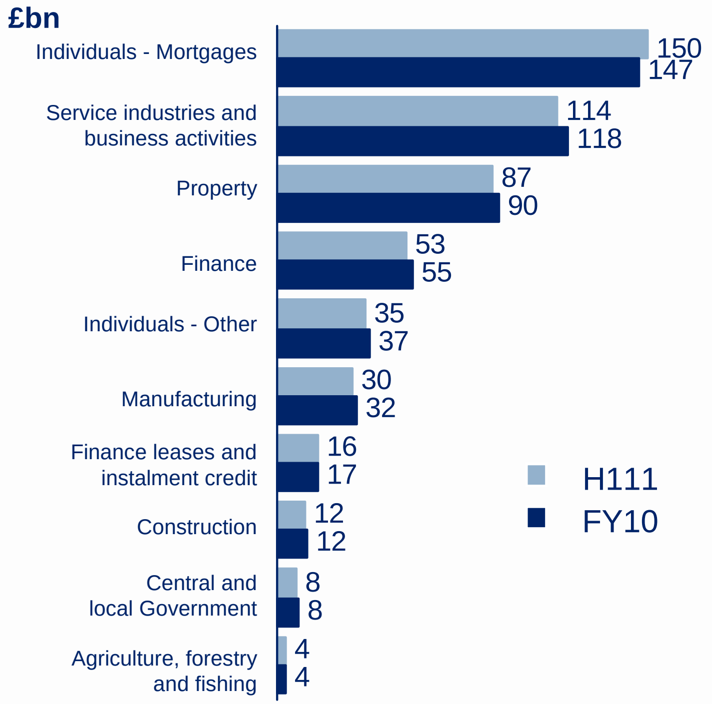
Sovereign[1]

Peripheral Euro-zone Sovereign exposures, net AFS banking book



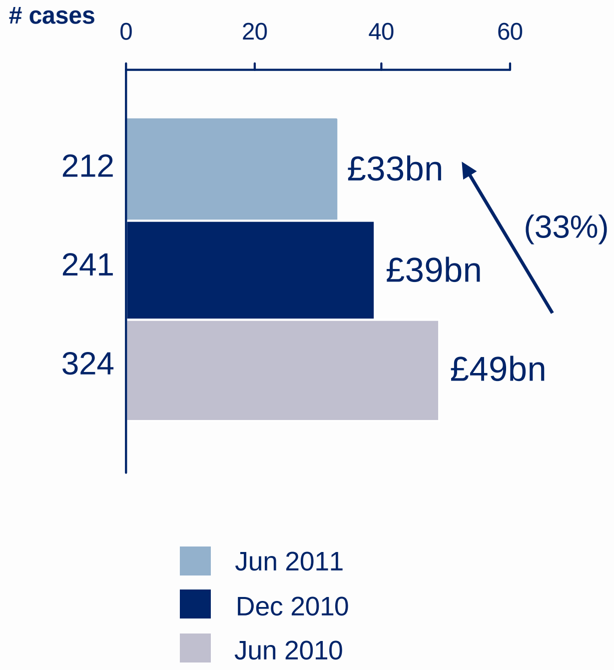
Sector[2]

Top industry sectors by loans and advances



Single name concentrations[3]

Corporate SNC exposures over risk appetite

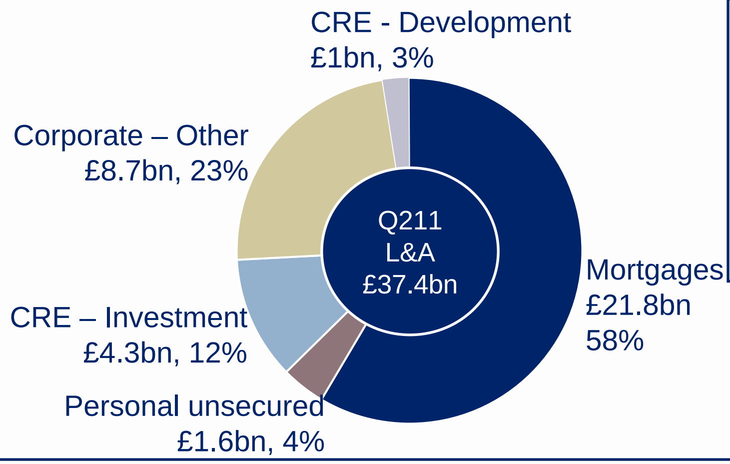


- Modest peripheral European Sovereign exposures
- Property exposure down 3% h-o-h
- Continued good progress on SNCs, exposures down 33% y-o-y

[1] Net AFS banking book debt securities exposure. [2] Loans and advances to customers ex banks excluding reverse repos and disposal groups, excluding interest accruals. [3] The SNC framework sets graduated appetite levels according to counterparty credit ratings. The chart shows corporate names that are in breach of the framework.

Update on Ireland – Asset Deep Dive

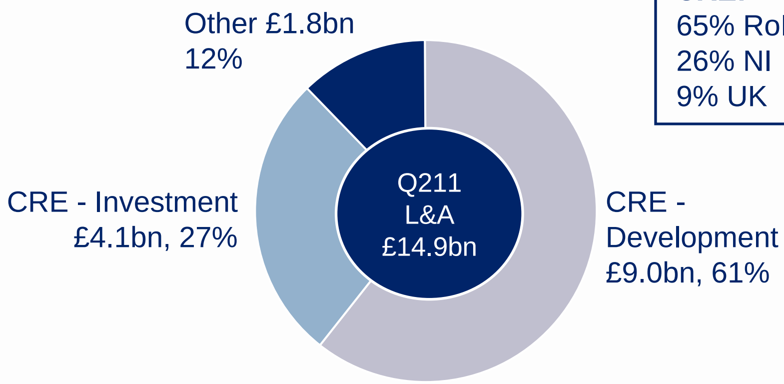
Ulster Bank – Core gross L&A, £37.4bn



CRE:
58% RoI
21% NI
21% UK

Mortgages:
90% RoI
10% NI

Ulster Bank – Non-Core gross L&A[1], £14.9bn

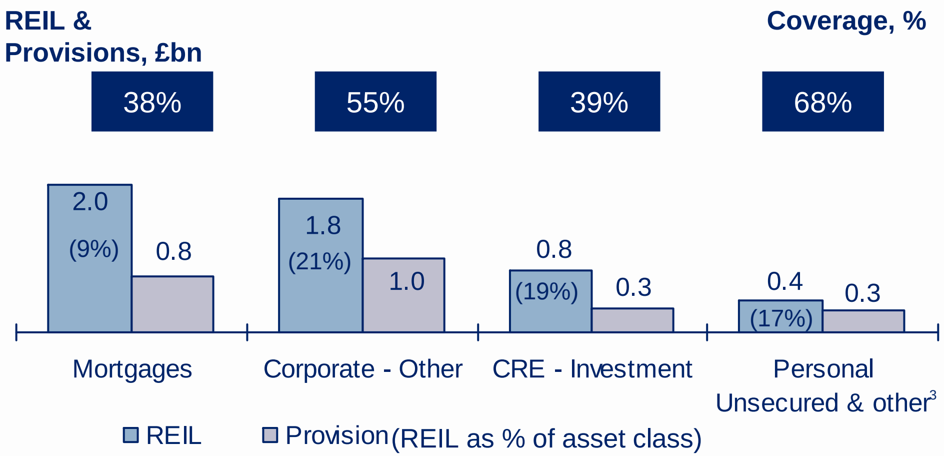


CRE:
65% RoI
26% NI
9% UK

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

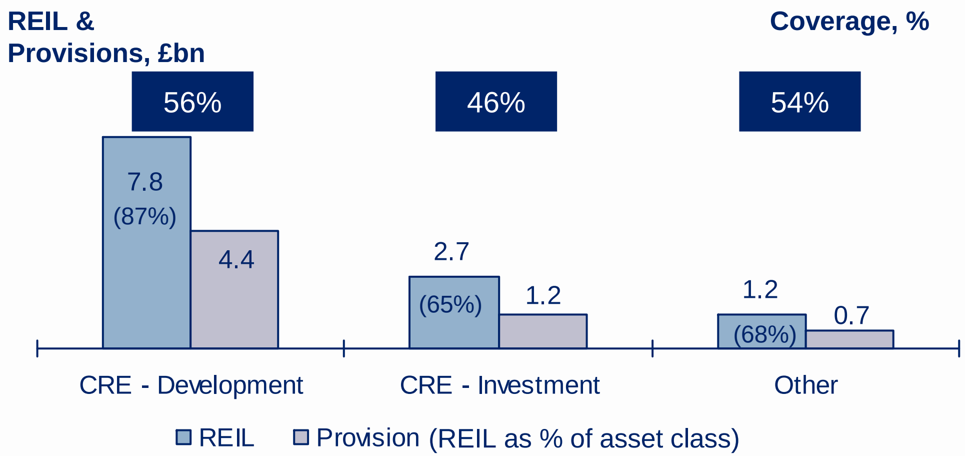
‘In the pack’ vs peers

Total coverage 47%



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

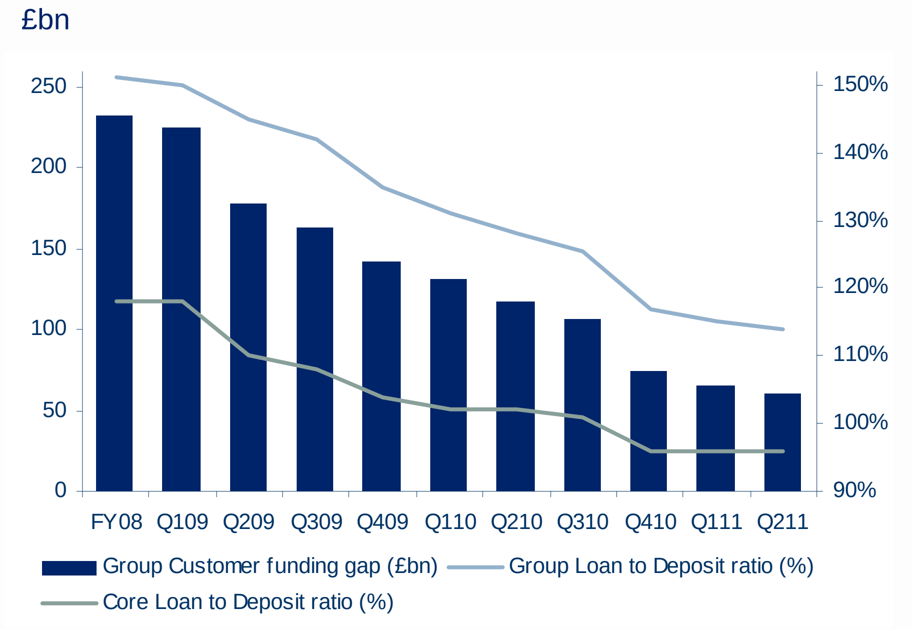
Total coverage 53%



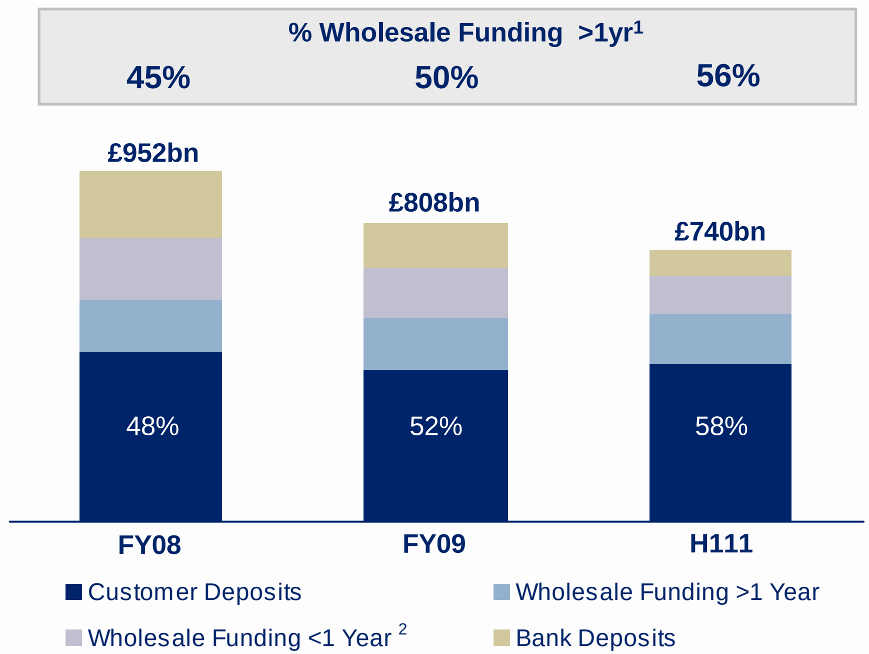
[1] Excludes EMEA L&A of £0.4bn. [2] Provisions as a % of REIL. [3] Includes Core CRE Development lending REIL of £241m and provisions of £120m.

Funding and Liquidity

Funding Profile is Improving



Actively terming out funding

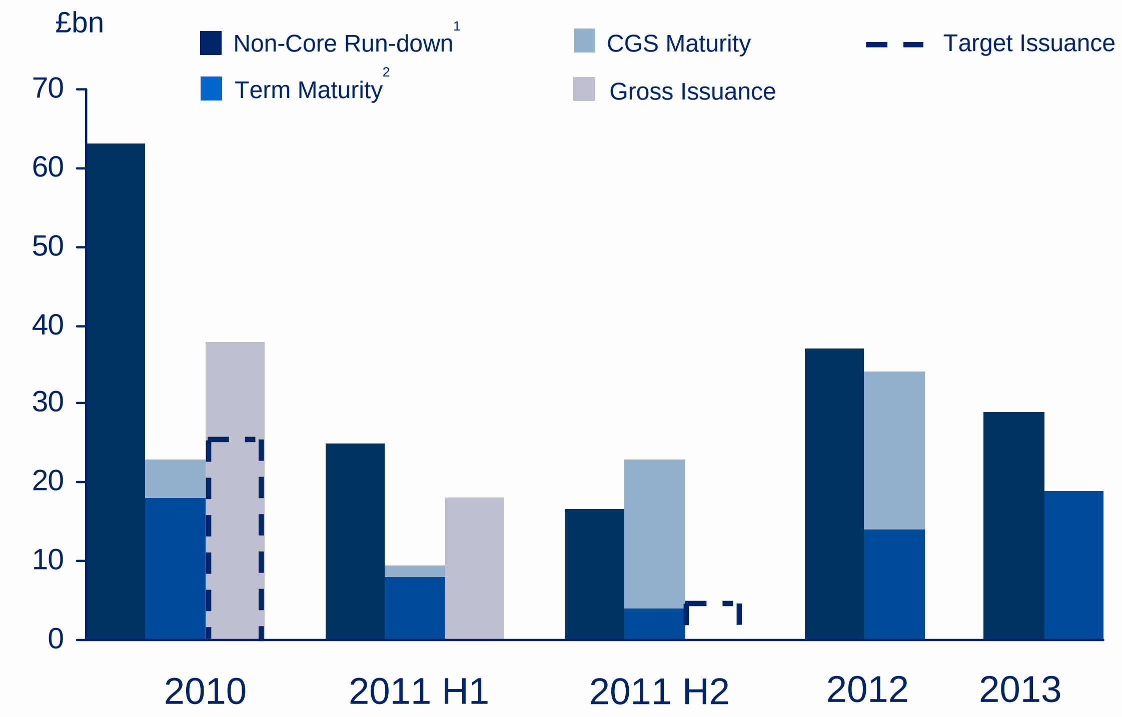


- Group loan to deposit ratio of 114%, (115% at Q111), funding gap closed by a further £5bn in Q2 to £61bn
- Core loan to deposit ratio remains at 96%
- NSFR improved to 97% from 96% at Q111
- Customer deposits of 58% better than European peer average (54%)[3]

[1] Excludes deposits received from customers and banks. [2] Excluding bank deposits. [3] Average of 90 European banks per EBA stress test, 2011

Funding - Issuance

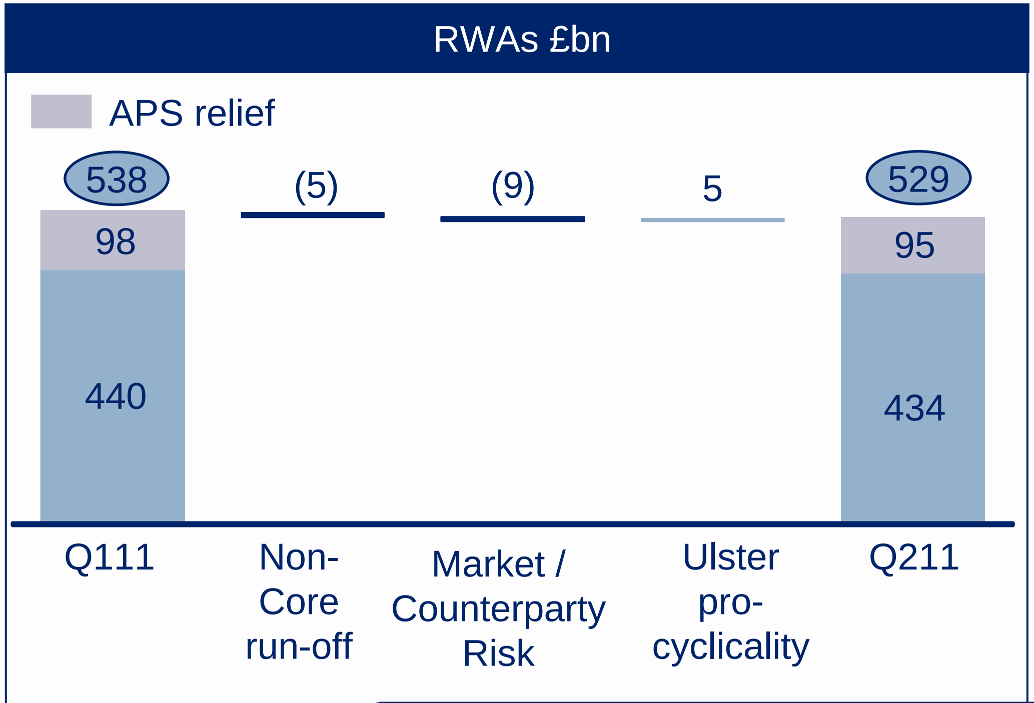
Asset reduction lessens market funding requirement

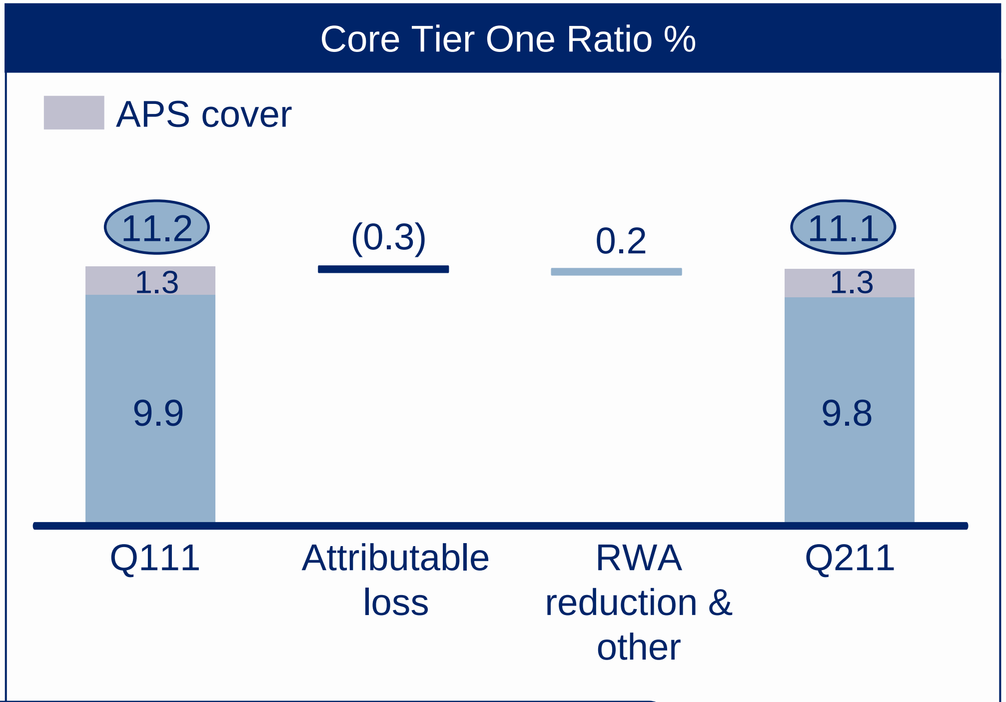


- 2011 funding plan calls for c.£23bn term issuance
- H1 gross issuance of £18bn:
  - £8bn private
  - £5bn public secured
  - £5bn public unsecured
- Issuance in H2 will be primarily private placements and secured funding, little requirement for public unsecured in H2
- CGS term funding outstanding of £40bn, will be fully repaid by July 2012:
  - Q411 £18.7bn
  - Q112 £15.6bn
  - Q212 £5.7bn

[1] Non-Core third party assets excluding derivatives. [2] Unguaranteed term debt and subordinated liabilities contractual maturity.

RWA & Capital Progression





- RWAs down by £9bn due to a reduction in GBM market risk and the net impact of Non-Core de-risking
- CT1 ratio resilient at 11.1% despite £1.6bn of provisions (PPI and Greece impairment for 'sins of the past')
- Continue to work on mitigation of CRD impacts

Conclusions

Core Franchises	■ Good R&C performance ■ GBM disciplined in weak market environment ■ Good bounce-back from previous under-performers, US R&C and Insurance, lower losses in Ulster
Non-Core and Risk	■ Non-Core balance sheet £113bn, down 56% from inception and ahead of plan ■ Reduced peripheral sovereign exposures ■ Ulster impairments appear to have stabilised
Balance Sheet	■ LDR continues to improve, down 1% at 114%, funding gap down a further £5bn in Q2 ■ £18bn term issuance in H1; little required in H2 ■ Provision balance up £1.5bn to £20.8bn, REIL coverage at 49%
Capital position	■ Core Tier 1 ratio robust at 11.1% ■ Well-positioned to support business plan and absorb regulatory capital increases

Questions?

Appendix

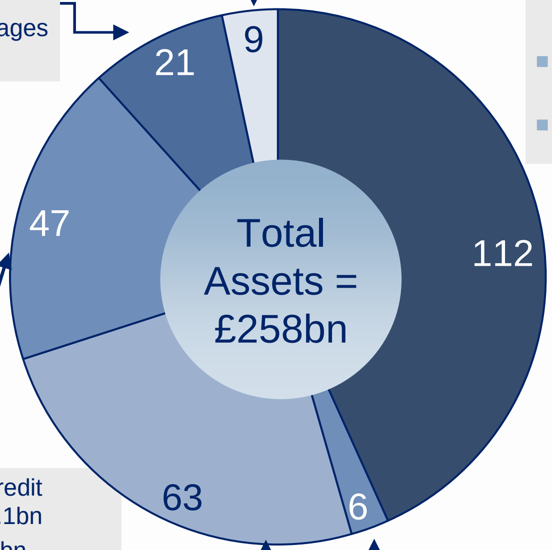
Non-Core Asset Class Composition Changes

2008 Year-End 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[1]
- US £2.8bn

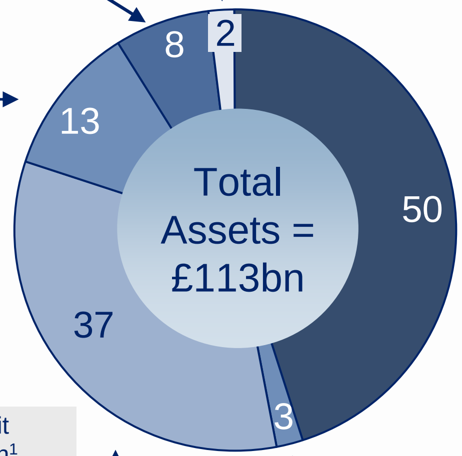
SME
- UK SME £4.2bn
- US SME £1.6bn

Q211 funded assets

Retail
- UK Mortgages & Personal Lending £1.6bn
- US Mortgages & Personal Lending £5.4bn
- Countries £1.0bn

Other
- RBS Insurance £1.4bn
- Shared Assets and Other £0.7bn

Corporate
- Project & Export Finance £13.7bn
- Asset Finance £17.8bn
- Leveraged Finance £5.4bn
- Corporate Loans & Securitisations £11.5bn
- Asset Management £0.8bn
- Countries £1.0bn



Markets
- Structured Credit Portfolio £10.1bn[1]
- Equities £0.6bn
- Credit Collateral Financing £0.1bn
- Exotic Credit Trading £0.1bn
- Sempra £1.1bn
- Other Markets £0.6bn

Commercial Real Estate
- Real Estate Finance £22.2bn
- UK B&C £4.7bn
- Ireland £8.7bn[2]
- US £1.1bn

SME
- UK SME £2.4bn
- US SME £0.4bn

[1] SCP includes £5.6bn of Corporate (o/w CLOs £4.6bn), £1.3bn RMBS, £1.2bn CMBS and £1.1bn SPVs.

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