Re-building Standalone Strength

Philip Hampton, Chairman

7 August 2009

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 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 subject to risks and uncertainties. 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 extent and nature of future developments in the credit markets, including the sub-prime market, and their impact on the financial industry in general and the Group in particular; the effect on the Group’s capital of write downs in respect of credit market exposures; general economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; 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, foreign currency exchange rates, commodity prices and equity prices; changes in UK and foreign laws, regulations and taxes; changes in competition and pricing environments; natural and other disasters; the inability to hedge certain risks economically; 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

RBS

Philip Hampton	Â Introduction
Stephen Hester	Â 1H Highlights
	Â Vision, strategy and performance targets
	Â Progress on implementation
	Â Asset Protection Scheme
	Â Current challenges and market trends
Guy Whittaker	Â 1H Financials

Re-building Standalone Strength

Stephen Hester, Group Chief Executive 7 August 2009

1H 2009 Results – Business highlights

- Presented **full details of financial and business position**
- **Comprehensive change to Board and Executive Management**
- **New Strategic Plan**, charting course back to standalone strength and value, a fundamental restructuring of RBS
- **Detailed implementation plans in place** and actions underway across the Group
- **Asset Protection Scheme (APS)** announced to keep RBS strong for customers during Plan execution, though uncertainties remain pending HMT & EU approvals.
- Right across RBS "normal" business continues, **supporting customers** in challenging times

1H 2009 Results – Financial highlights

- **Core Bank Profit £6.3bn, Non-Core Loss £9.6bn**. Pre-tax profit £15m due to liability management gains
- **1H09 income of £14.8bn, up 27%**, capturing near-term buoyancy of capital markets but underlying, a margin squeeze in core banking businesses
- **Impairments £7.5bn and write-downs £4.3bn** reflecting recessionary conditions and RBS' exposures thereto
- Core Tier 1 capital ratio 6.4% (plus >5% pro forma for APS[1]), **total assets reduced by £574bn (26%)** since December 2008

- RBS moved to **market-leading standards of transparency and disclosure** – including quarterly reporting
- 1H 2009 **results show new divisional structure, core/non-core split and APS details**
- Targets given for **risk and profitability**

(1) Subject to finalisation of terms, HMT and EU approvals, £19.5bn issuance of "B" Shares

RBS Strategic Plan

Plan is designed as the most radical restructuring achievable without unacceptable risk to success, viability and customer support

Core Bank
The primary focus for 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**

2013 Vision for RBS

- By 2013, RBS to be one of the world's most admired, valuable and stable universal banks
- RBS to return 15%+ sustainable RoEs, powered by market-leading businesses in large customer-driven markets
- The Group to deliver its strategy from a stable AA category risk profile and balance sheet
- The business mix to produce an attractive blend of profitability, stability and sustainable growth – anchored in the UK and in retail and commercial banking together with customer driven wholesale banking, and with credible growth prospects geographically and by business line
- Management hallmarks to include an open, investor-friendly approach, discipline and proven execution effectiveness, strong risk management and a central focus on the customer

Targets we have set

Measure	2008 Actual	2013 Target
Risk		
Â Stand-alone credit rating[1]	BBB category	AA category
Â Core Tier 1 capital ratio	4%[2]	>8%
Â Loan/deposit ratio (LDR)	156%[3]	c.100%
Â Wholesale funding reliance[4]	£343bn[5]	<£150bn
Â Liquidity reserves[6]	£90bn[7]	c.£150bn
Return		
Â Return on Equity (RoE)[8]	(28%)	>15%
Â Cost/income ratio (C:I)	79%	<45%[9]
Â Cost/income net of claims (C:I)	97%	<50%[9]

Restructuring Plan comprehensively **addresses every area of "failure"** and reverses the historic vulnerabilities of the Group

(1) Standard and Poors rating, ex HMG support (2) As at 1 January 2008 (3) As at October 2008 (4) Amount of unsecured wholesale funding under 1 year (£bn) (5) As at December 2008 (6) Eligible assets held for contingent liquidity purposes including cash, Govt issued securities and other securities eligible with central banks (7) As at December 2008 (8) After tax return on tangible equity normalised for APS in 2013 (9) Core Bank

Core Bank – Divisional targets & plans

RBS

UK Retail

Unlocking the value of our customer franchise as the most helpful retail bank in the UK

	RoE, %	C:I, %	LDR, %
2011	>1	<60	<120
2013	>15	c.50	<105

- Customer support and lending commitments
- Reduce cost to serve by >£350m
- Transformation investment of c£800m
  - Product enhancements and affluent proposition
  - New internet and telephony platforms
  - Reconfigured branch footprints and formats`

UK Corporate

Leading franchise focused on re-building sustainable value for customers and the bank

	RoE, %	C:I, %	LDR, %
2011	>5	<45	<135
2013	>15	<35	<130

- Customer support and lending commitments
- Investment in service effectiveness, credit processes and portfolio management
- Deposit gathering capability enhancement
- Re-balance away from property concentrations

GBM

Strong wholesale bank, built around clients in chosen markets, with much lower risk

	RoE, %	C:I, %
2011	c.15	<65
2013	15-20	c.55

- Focus on core customers and “flow” markets
- Leader in chosen markets
- Huge risk, product and geographic restructuring
- Investment in reducing costs and improving controls

GTS

Leading global player, serving Group clients and with a central role in deposit gathering

	RoE, %	C:I, %	LDR, %
2011	n.m.	c.55	<25
2013	n.m.	<50	<20

- Technology investment to stay ahead
- Improved international cash management capability to support deposit growth
- Restructure and profitably promote trade finance platform

Core Bank – Divisional targets & plans

Wealth

Leading UK franchise with global reach, providing growth and substantial funding to Group

	RoE, %	C:I, %	LDR, %
2011	n.m.	<60	<35
2013	n.m.	<50	<30

- Strategic coverage growth
- Streamlining "cost to serve" and productivity
- Investment and product platforms enhanced

Ulster Bank

Restructuring to sustainable profitability as Irish economy recovers

	RoE, %	C:I, %	LDR, %
2011	>0	<75	<175
2013	>15	c.50	<150

- Major portfolio restructuring, especially real estate
- Achieve >20% reduction in cost base and brand consolidation
- Close funding gap and re-build margins
- Lead on customer service and support

Citizens

A leading US "super-regional" bank

	RoE, %	C:I, %	LDR, %
2011	c.10	<70	<90
2013	>15	<55	<90

- Restructure to focus on customer leadership in core footprint states
- Investment in platform efficiency, customer service and marketing
- Sustain conservative risk profile
- Close income and margin "gaps" vs. peers

Insurance

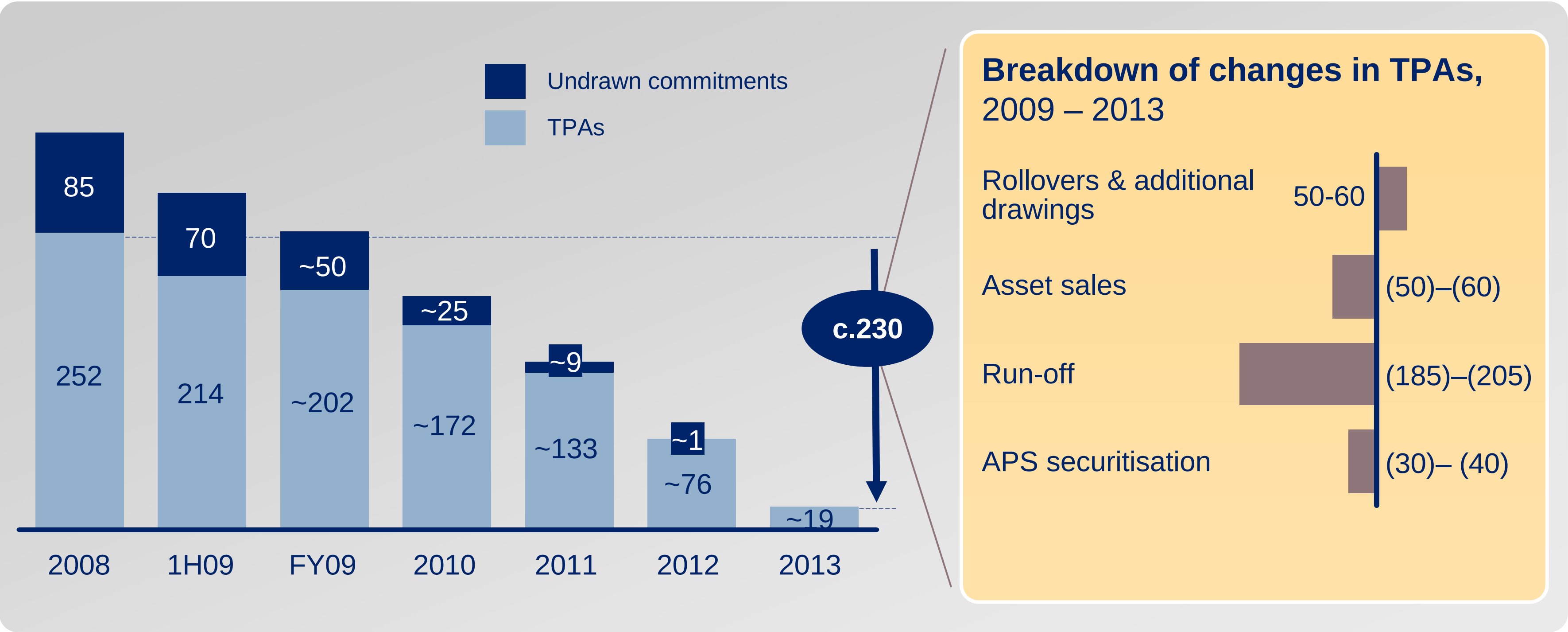
Becoming UK's leading and most profitable general insurance business

	RoE, %	C:I, % (net of claims)
2011	>15	<70
2013	>20	<60

- Investment in claims transformation
- Continued cost restructuring
- Customer growth through leverage of cost, brand and RBS distribution advantages

Non-core asset run-off targets

Non Core third party assets (TPAs excl MTMs) run-off targets, £bn



Success in achieving this run-off profile would require:

Â Market conditions recovering sufficiently to allow disposals of assets at an acceptable valuation

Â Securitisation or sale of APS assets in outer years, reliant upon markets being open and, in certain circumstances, HMT permission

Note: run-off at constant year-end 2008 FX rates

RBS Group 2013 – Binding disciplines

RBS

Each business attractive "in its own right"

- Leading customer franchises
- 15%+ RoE
- Proportionate risk and balance sheet usage
- Capable of organic growth

Strong business linkages – "One Bank"

- Sharing of costs, expertise, customers and capabilities to maximum extent that is profitable
- Shared management strengths
- Customer franchise and branding linkages

Complementary strengths

- Balance UK concentration vs. International
- Not all exposed to credit cycle
- Balancing of providers and users of funding
- Balancing growth potential vs. stability
- Complementary cost/income and RoE dynamics

No sacred cows

- Each business must be valuable in its own right and still more valuable together
- We will continue to change the mix of businesses within the Group where there is a viable and valuable case to do this

Update on implementation

- **Divisional plans**
- **Non-core division**
- **APS**
- **Risk management**
- **Expense reduction**
- **Talent and organisation**

Â Our strategy, and the roadmap to deliver it, have been defined at Group and Divisional level

Â 5-year plans finalised, KPIs and targets set for all Divisions across the Group, detailed implementation plans in place

Â Non-core division established and now represents £200bn of TPAs down from £252bn in December

Â Clear roadmap for rundown in place

Â Announced sale of part of Asian banking operations to ANZ

Â Key terms of APS announced in February but subject to HMT confirmation with some related uncertainties

Â ~£300bn of assets to be protected by the scheme

Â Target for APS "contract" completion Autumn 2009

Â EU State Aid clearance under negotiation

Update on implementation

RBS

- Divisional plans
- Non-core division
- APS
- **Risk management**
- **Expense reduction**
- **Human Capital**

Risk management ✓

- Macro-risk areas fundamentally addressed by Plan
- New processes, governance and controls
- New risk culture being embedded across the Group

Expense reduction ✓

- Clear expense reduction plan created, to capture £2.5bn of savings
- Implementation well underway
- Major technology and back office restructuring and complementary investment has commenced

Human Capital ✓

- New Board and senior management in place
- Selected hiring ongoing to bolster specific capabilities
- Ability to motivate, attract and retain talent remains a critical challenge

- We have defined our strategy and the roadmap ahead to deliver it, and have put in place the talent and resources to achieve this
- Implementation is already underway, and will remain our primary focus

APS Overview

Terms of APS

Key terms of the APS agreement were announced in February:

- APS and related measures designed to enable RBS to meet FSA “stress tests”
- Protection of defined asset pools effective from 1 Jan 2009
- £19.5bn first loss plus historical impairments and write-downs on the APS asset pool borne by RBS
- Second loss shared 90% to HMT, 10% to RBS
- £6.5bn fee paid plus waiver of UK tax losses
- £19.5bn issue of “B” shares at 50 pence per share, £6bn contingent reserve of “B” shares from 2010

Since February:

- Now plan to amortise tax and fee costs over 5 years
- Increased estimate of tax cost to £9-11bn

Pro forma capital impact

- APS reduces RWA impact of insured assets, benefit running off as Non-Core runs down and covered assets mature
- Core Tier 1 (CT1) capital increased by £19.5bn issuance of “B” Shares to HMT (plus £6bn contingent issuance)
- CT1 benefit reduced by fee and tax amortisation and increased by any losses absorbed by HMT
- Regulatory deduction from CT1 at 50% of unused first loss provision
- Net impact of APS as at 30 June 2009 would be a boost to CT1 ratio in excess of 5% (subject as below)

Terms of the APS have been agreed in principle with HMT and are subject to further due diligence and State Aid approval

APS Implementation – Anticipated timeline

2009

Current stage

Feb → **Autumn**

Phase 1	**Phase 2**	**Phase 3**	**Accession agreement**	**Accession**
Â Initial identification of assets for APS Â Term sheet agreed Â Initial due diligence by HMT	Â Finalisation of asset selection Â Negotiation of detailed terms of APS and documentation Â Further HMT due diligence	Â Establish governance structures and controls Â Establish data and reporting system and processes	Â Sign accession agreement	Â Shareholder circular Â General Meeting

Â EU State Aid approval needed - timetable, outcome and “remedies” uncertain

Â Difficult negotiations on-going with twin focus of “viability” and “UK corporate market share”

Â HMT position reserved as to final pricing, final asset portfolio and some detailed aspects of the structure of the APS pending completion of due diligence

Challenges and opportunities

- **Implementation** is the key challenge – this is a far reaching restructuring programme
- **Wholesale funding risks** present but reducing as Non-Core runs off
- The **economic environment** may impact both revenue and credit costs in either direction
- **Non-Core run down and losses** impacted by external factors in either direction
- **Regulatory & Government influences** will remain important

Macro risks update

Loan losses and economic outlook

Â Impairments likely to remain elevated in 2010 and may reduce only slowly in 2011
Â Flow into GRG beginning to moderate
Â Probability of extreme “stress” scenarios reducing
Â Leading economic indicators showing signs of stabilisation
Â Continuing threat from economic imbalances clouds medium-term picture
Â Return to pre-crisis levels of leverage is not sustainable for banks or customers

Wholesale funding

Â Material improvement from Q1
- Central bank usage halved
- Unguaranteed term funding restarted

Â Funding needs reducing
Â Liquidity reserves increasing nicely
Â Market still fragile and funding costs high
Â Pressure on sovereign ratings an outlook risk

Interest margins

Â Shift of power from borrowers to savers
Â Banks sit in the middle
- Higher asset margins
- Lower savings margins
- Higher funding and liquidity costs
- More capital, less leverage

Â RBS NIM at 1.69% in 1H09, likely to take some time to recover significantly

Regulatory

Â Scale and timing of extra “cost” still hard to judge
- Liquidity requirements
- Capital/lower leverage requirements
- Countercyclical provisioning

Â Retail charges still under threat (UK and US)
Â EU State Aid approval being negotiated

My Take on H1 Results

Â There is a lot that is really valuable to build on

- Customer franchises intact everywhere
- GBM rebound shows merit of its core business post restructuring
- Banking businesses hurt by recession but improved asset margins and cost programme taking hold
- Early days but big strides on balance sheet, risk and funding

Â Risk vulnerabilities cannot be wished away

- Impairments high until after economies recover
- Other write-downs should moderate
- Non-Core progress transparent and starting well

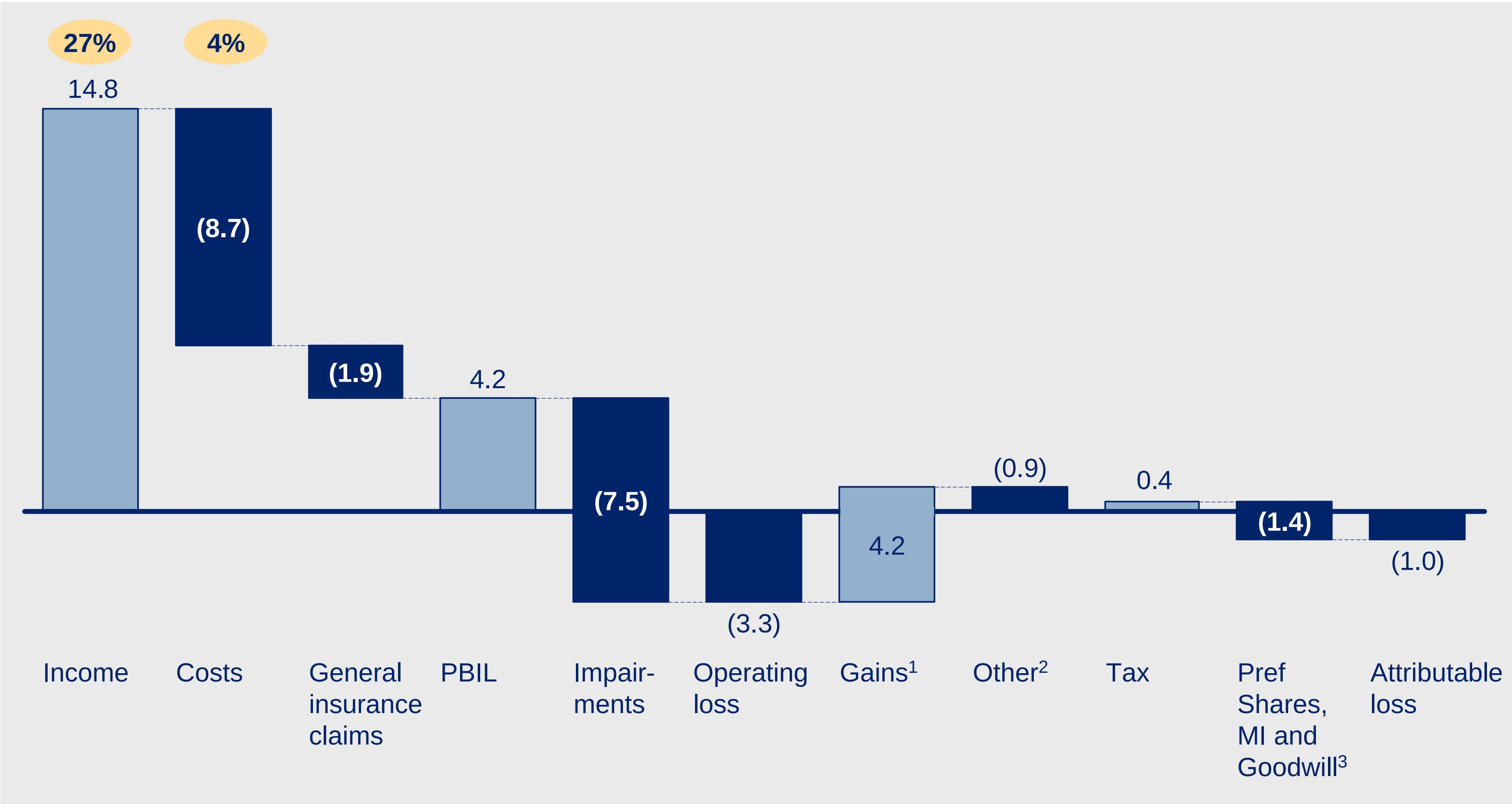
Re-building Standalone Strength

Guy Whittaker, Group Finance Director

7 August 2009

Group – H109 Results

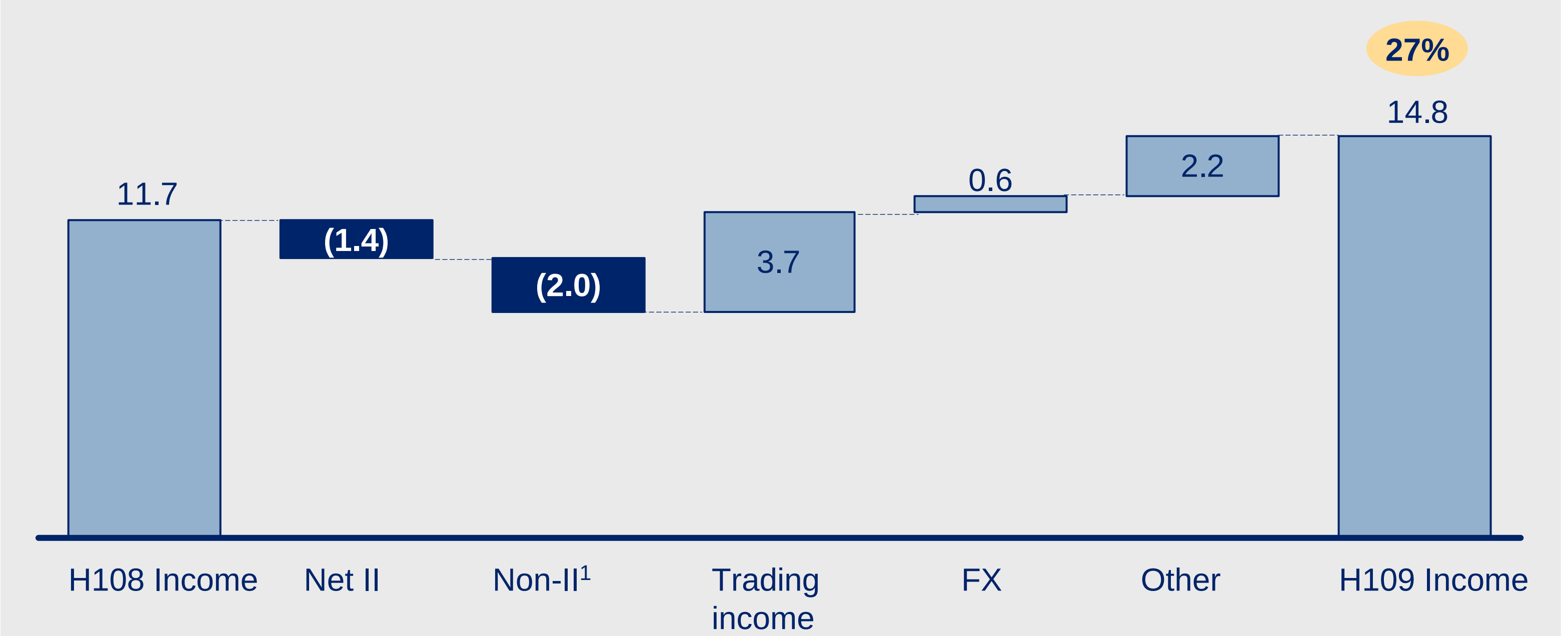
£bn



1 Includes £3.8bn gain on debt redemption and strategic disposal gains of £0.5bn
2 Includes restructuring & integration costs, amortisation of intangible assets
3 Includes minority interest (of which Bank of China £0.4bn), preference dividends (of which UKFI preference payment £0.3bn) and goodwill £0.3bn

Group - Income

Income road map H108 to H109, £bn



- NII margin declined as expected
- Non II – reflects lower fee and other income in Retail & Commercial, absence of prior year gains and de-leveraging costs
- Very strong trading performance from GBM partially offset by losses in Non-Core
- Benefit of stronger $ and €
- Other reflects lower credit market write-downs, off-set by CDS hedges and adverse FV of own debt

1 Excludes trading income

Net interest margin drivers

Division	FY08 %	H109 %	Comments	Outlook
UK Retail	3.62	3.62	Wider asset margins offset by deposit margin compression	
UK Corporate	2.54	2.14	Impact of deposit floors partially offset by asset re-pricing	
US R&C	2.65	2.31	Impact of deposit floors partially offset by asset re-pricing	
Ulster Bank	1.89	1.95	Lower wholesale funding costs and wider asset margins partially offset by increased cost of attracting deposits	
GBM	1.26	1.69	Strong H1 Money Markets and portfolio re-pricing	
Non-Core	0.90	0.49	Higher term funding costs reflecting the nature of the assets	
Group	2.08	1.69		

- Term funding and liquidity costs contribute c20bps of the decline in Group NIM vs. H108
- FY09 outlook of c.1.60% in line with guidance provided at Q1 IMS

Group - H109 costs road map

£bn

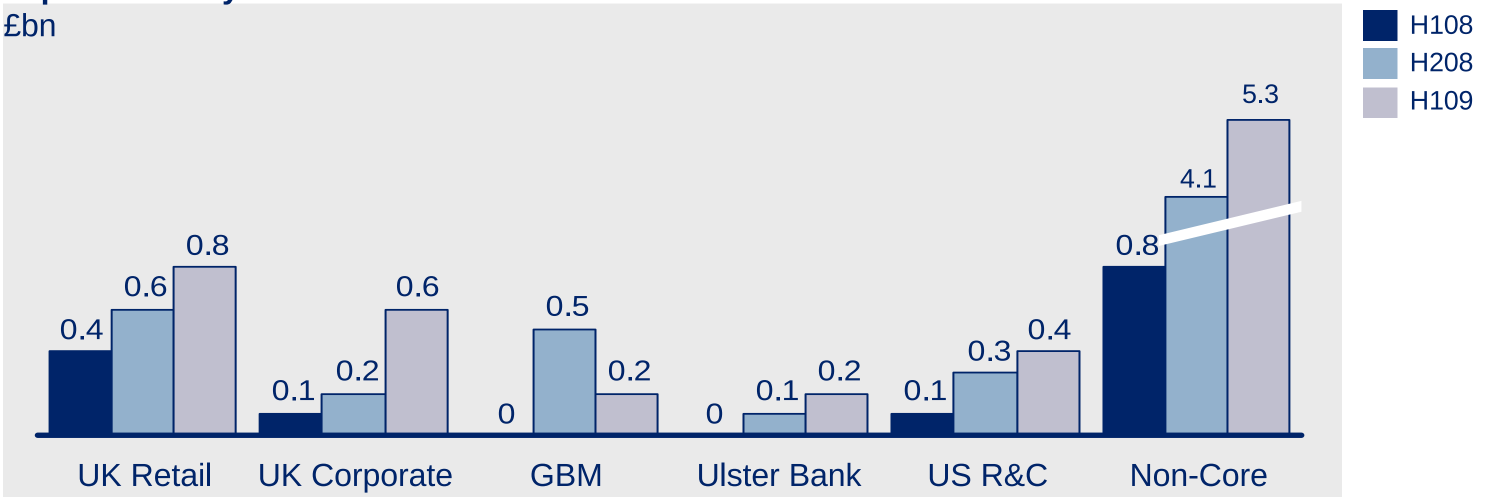
- £2.5bn cost reduction programme on track
- 8,400 decline in Group headcount in H109[1]
- 9% adverse impact of stronger $ and €
- Higher depositor protection levies in U.K. and U.S., c.£200m
- Cost : income ratio improves, from 72% to 59%; on an adjusted basis[2] 86% to 68%

[1] Of which 6,400 due to cost reduction programme
[2] Adjusted basis - insurance claims deducted from income

Group - Credit quality

	H108	FY08	Q109	Q209	H109
Gross L&A[1], £bn	608.8	701.3	681.8	-	610.4
NPL + PPL, £bn	9.0	19.0	23.7	-	31.0
NPL + PPL, % of L&A	1.47%	2.69%	3.48%	-	5.08%
Impairment Charge, £bn	1.5	7.4	2.9	4.6	7.5
Impairment charge[2], % of L&A	0.46%	0.91%	1.34%	2.98%	2.22%
Provision coverage, %	55%	50%	45%	-	44%

Impairments by division H109 vs. H108



Â Approximately 70% of impairments & write-downs in H109 attributable to assets covered by APS[3]

1 Gross loans & advances to customers excluding reverse repurchase agreements and stock borrowing

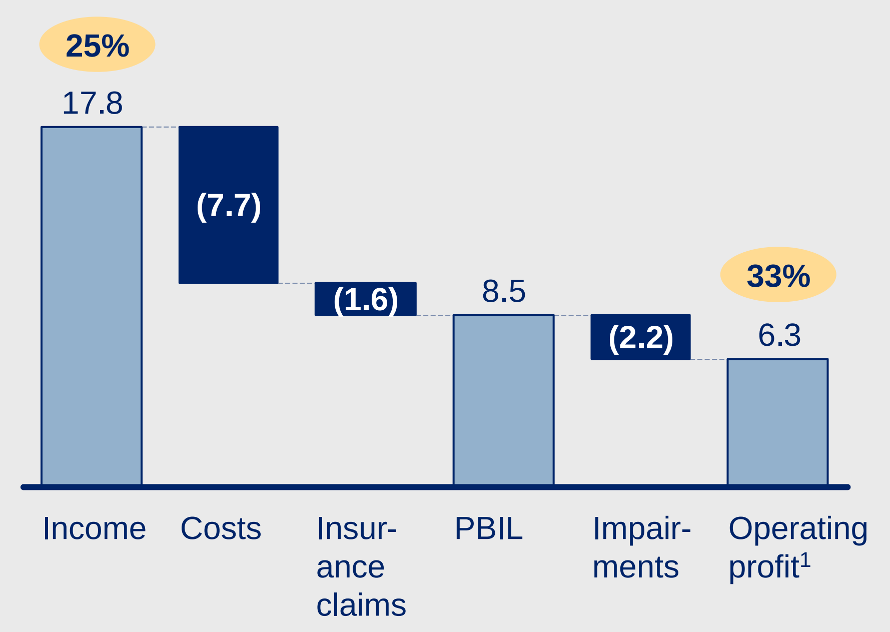
2 Impairment charge calculation excludes impairments from AFS securities (£0.7bn)

3 Subject to any changes to the Scheme

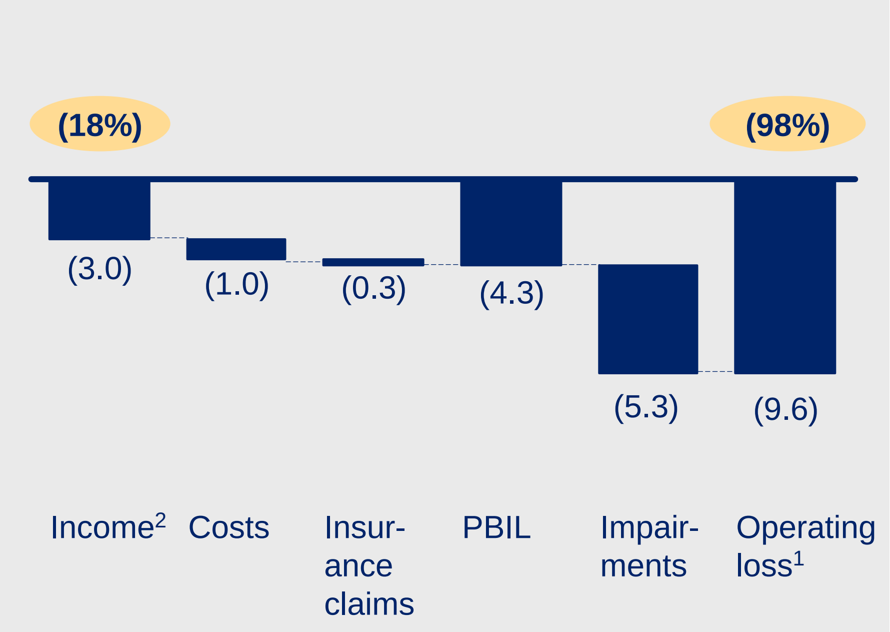
H109 Results – Core & Non-Core

£bn

Core Division



Non-Core Division



H109	Group	Core	Non-Core
L&A, £bn	658	492	166
Deposits, £bn	498	477	21
RWAs, £bn	547	383	164
NPLs & PPLs, £bn	31.0	10.4	20.6

1 Profit before tax, purchased intangibles amortisation, write-down of goodwill and other intangible assets, integration and restructuring costs
2 Includes £3.1bn of credit market write-downs and £1.1bn of other market write-downs

Core performance

Core - Income

RBS

	H108 £bn	H109 £bn	Constant FX %
UK Retail	2.5	2.5	(1%)
UK Corporate	1.8	1.6	(12%)
Wealth	0.5	0.6	2%
GBM	3.7	7.8	86%
GTS	1.2	1.2	(2%)
US R&C	1.2	1.4	(6%)
Ulster Bank	0.5	0.5	(14%)
RBS Insurance	2.2	2.2	(3%)
Central Items	0.6	-	-
Core Total	**14.2**	**17.8**	**16%**

Â Very strong trading performance from GBM, particularly Rates and US Mortgage Trading

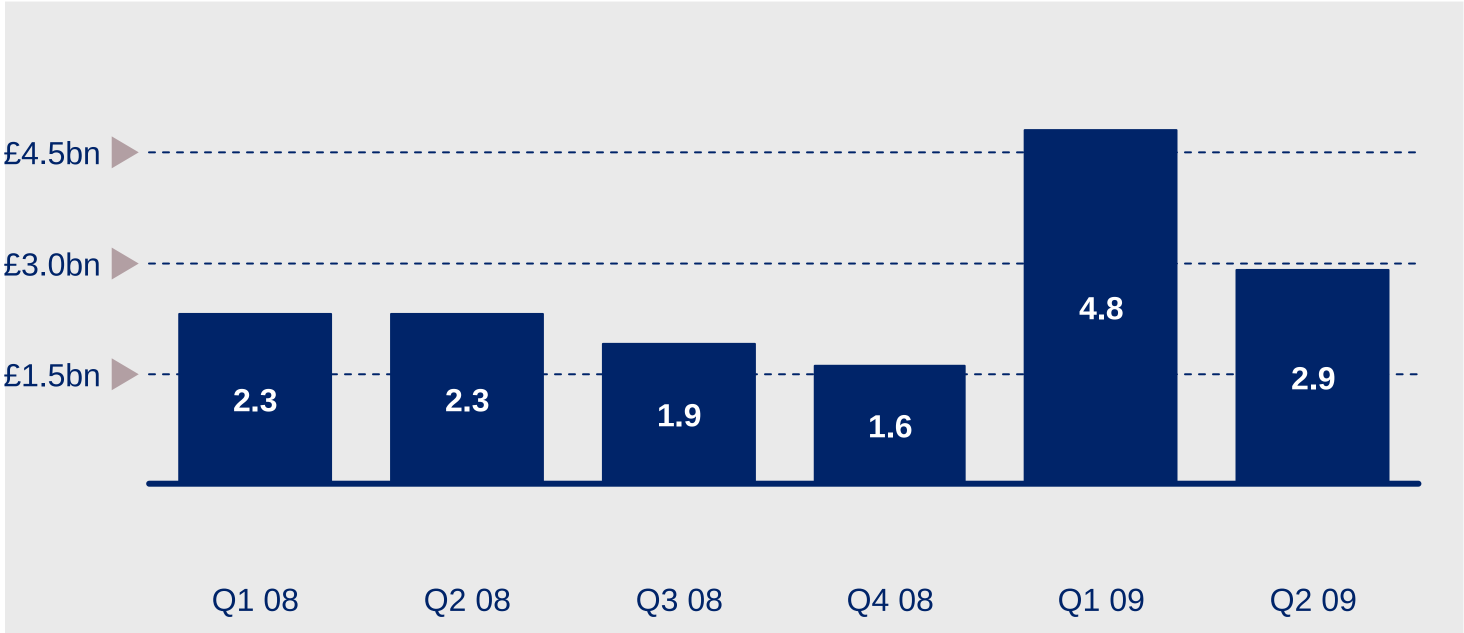
Â Retail & Commercial businesses impacted by margin pressure and lower fee income

Â Benefits of stronger $ and €

Â Centre in H108 includes benefit of FV on own debt

Core - GBM underlying[1] performance

GBM Q-O-Q income, £bn



- Q109 income performance driven by strong customer flows and positive market environment
- Core franchise performing well
- Normalised levels of income expected in H209

1 Underlying income reflects total GBM income excluding FV own debt movements and the impact of trading asset write-downs

Core - Impairments

Absolute impairments by division and % of book

	Impairments £bn	% change vs. H208	% of L&A[1]	Key sector impairments
Total	**2.2**	18%	0.97%	Includes AFS impairments of £143m
UK Retail	0.8	42%	1.70%	Unsecured Personal £0.49bn, Cards £0.27bn, Mortgages £0.06bn
UK Corporate	0.6	145%	1.08%	All sectors, of which Property £0.2bn
US R&C [2]	0.4	(2%)	1.29%	Business £0.1bn, Mortgages £0.1bn
GBM	0.2	(55%)	0.37%	AFS and several small cases
Ulster Bank	0.2	78%	0.81%	Mostly property

Â Core impairments up 18% vs. H208, tripled vs. H108

Â Impairments totalled 0.97% of L&A vs. 0.71% H208 (0.49% at FY08)

Â Commercial Property & Unsecured Personal loans the most challenged sectors

1 Annualised
2 Constant FX

Core – H109 Divisional performance

	PBIL £m	Impairment Losses £m	Operating Profit £m
UK Retail	877	(824)	53
UK Corporate	872	(551)	321
Wealth	240	(22)	218
GBM	5,110	(237)	4,873
GTS	509	(13)	496
Ulster Bank	149	(157)	(8)
US R&C	318	(369)	(51)
RBS Insurance	223	(6)	217
Central Items	173	2	175
Core Total	**8,471**	**(2,177)**	**6,294**

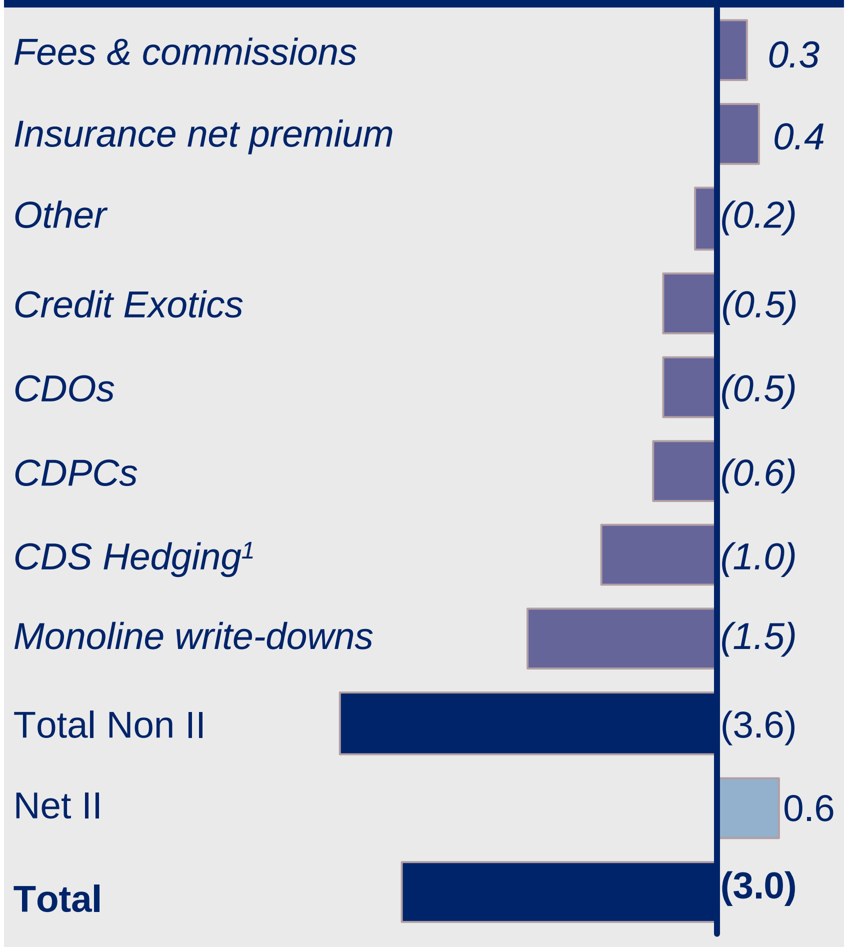
- Core franchise – strong earnings power
- Resilient pre-impairments profits
- Pre-provision profits – 4x impairment losses

Non-Core performance

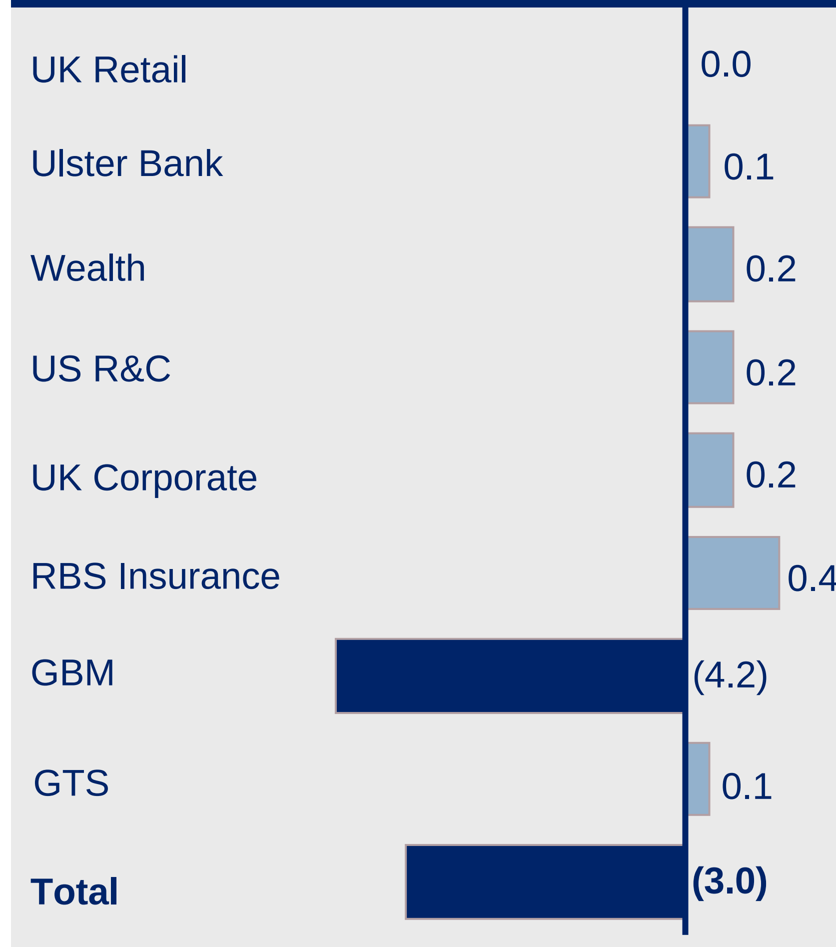
Non-Core – Income

£bn

H109 income



H109 income by division



1 CDS Hedging – we use a portfolio of CDS to manage the concentration and credit risk of our loan outstandings in their capital consumption. These hedges are booked at market value whereas the loans are booked at historic cost. The tightening of credit spreads in H109 has had a negative income impact of £1.0bn compared to a positive income impact of £0.1bn in H108 and £1.7bn in FY08. As at 30 June 2009 the total residual MTM balance was £1.1bn.

Non-Core – Impairments

Absolute impairments by sector and % of book

	Impairments, £bn	% change vs. H208	% of L&A[1]	Key sector impairments
Total	**5.3**	30%	5.65%	Includes AFS impairments of £582m
GBM	3.0	6%	4.38%	Manufacturing £1bn, TMT £0.6bn, Property & Construction £0.6bn
UK Corporate	1.1	172%	8.94%	Property & Construction £0.4bn, Manufacturing £0.2bn
US R&C[2]	0.6	30%	8.45%	Home Equity SBO £0.5bn, Cards £0.1bn
Ulster Bank	0.5	42%	5.97%	Mostly property
Other	0.1	47%	12.19%	Asia Retail & Commercial and GTS

Â Non-Core impairments increased seven times vs. H108 and up £1.2bn vs. H208

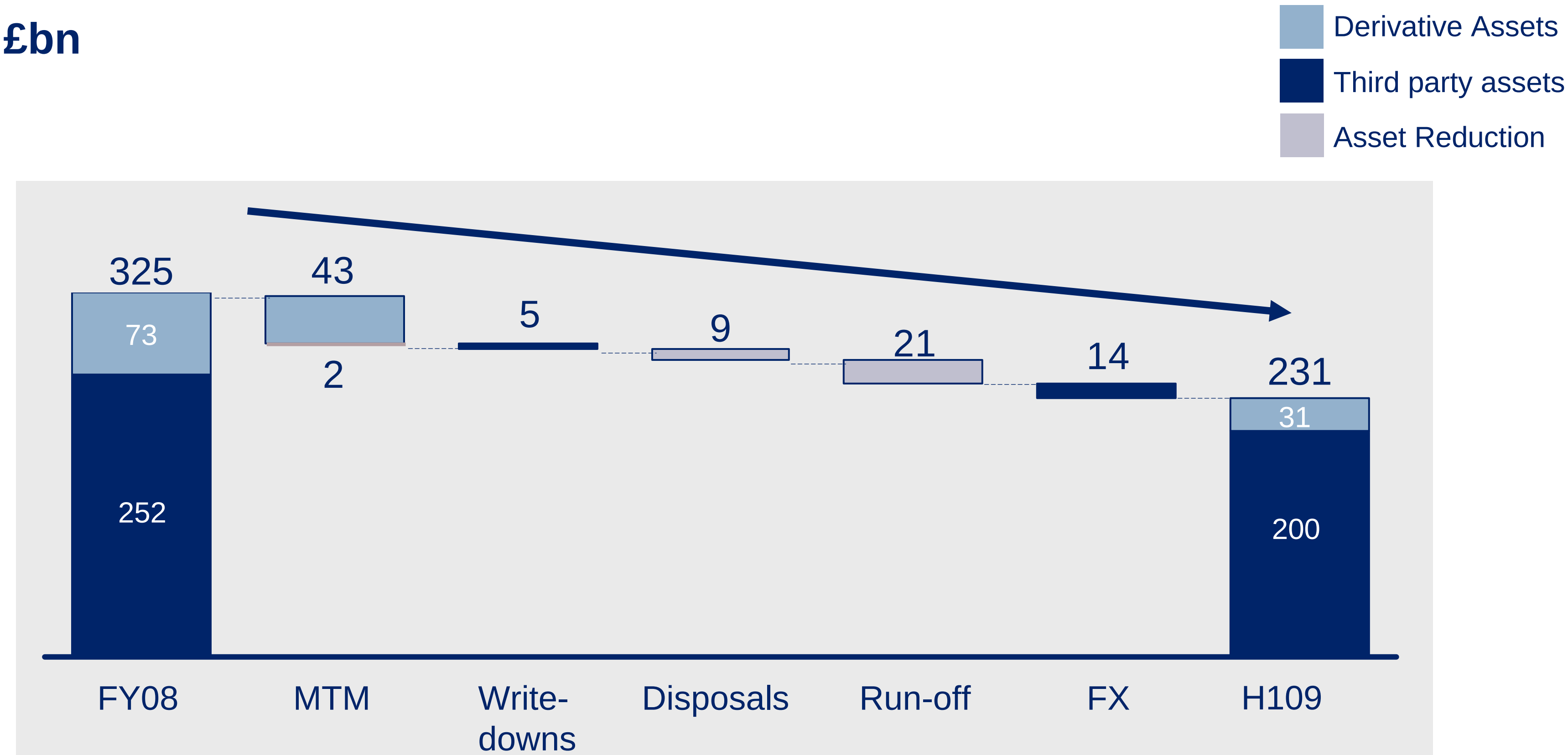
Â Impairments totalled 5.65% of L&A at HY09 (3.54% H208)

Â Property & Construction - the problematic sectors

1 Annualised
2 Constant FX

Non-Core – Run-off

£bn



- Good progress on balance sheet reduction
- Disposal of Linea Directa and Bank of China stake in H109
- Part sale of Asian business announced this week
- Underlying de-leveraging of £29bn
- Average maturity of Non-Core book 5 years

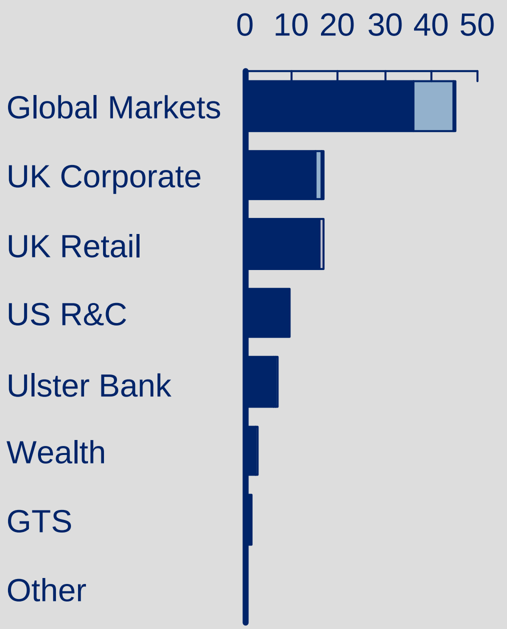
Risk management

Portfolio quality – Core overview

RBS

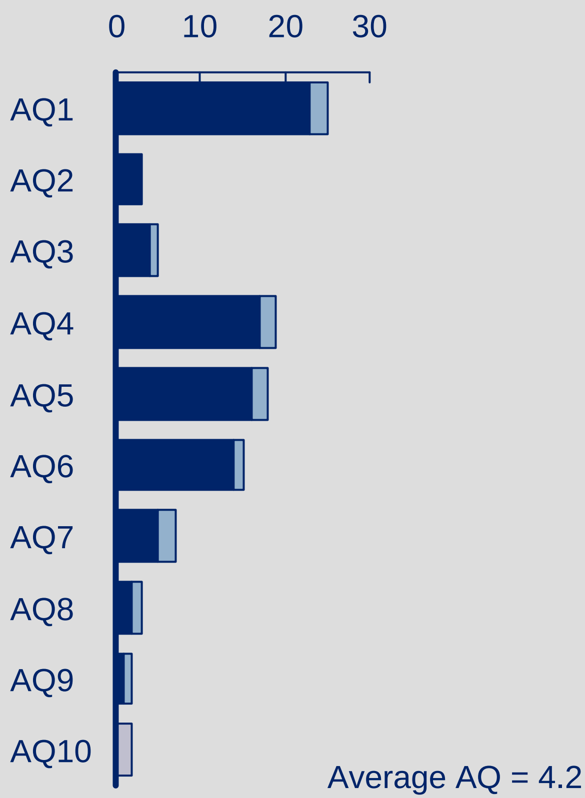
Exposure by division

Portfolio by division, %



Exposure[1] risk rating

Portfolio by grade, %



Portfolio performance

£bn	
Normal monitoring	**504**
o/w Financial institutions	112
o/w Corporates and Personal	392
Heightened monitoring	**65**
o/w Financial institutions	23
o/w Corporates and Personal	42
Defaulted assets	**13**
Total	**582**

- Normal monitoring
- Heightened monitoring
- Non-performing book

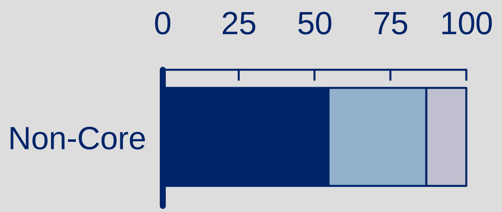
1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types. Asset Quality (AQ) bands allow the internal reporting and oversight of risk assets by differentiating on the basis of the key drivers of default for a customer type. Bands also map to asset quality and wholesale exposure scales, enabling detailed internal and external reporting of risk depending on audience and business need

Portfolio quality – Non-Core overview

RBS

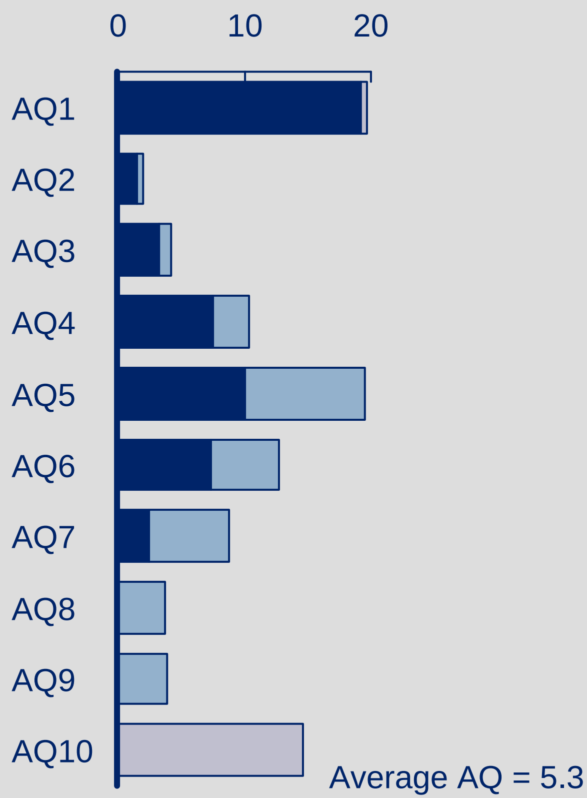
Exposure by division

Portfolio by division, %



Exposure[1] risk rating

Portfolio by grade, %



Portfolio performance

£bn	
Normal monitoring	**86**
o/w Financial institutions	5
o/w Corporates and personal	81
Heightened monitoring	**49**
o/w Financial institutions	12
o/w Corporates and Personal	37
Defaulted assets	**21**
Total	**156**

Normal monitoring
Heightened monitoring
Non-performing book

1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types. Asset Quality (AQ) bands allow the internal reporting and oversight of risk assets by differentiating on the basis of the key drivers of default for a customer type. Bands also map to asset quality and wholesale exposure scales, enabling detailed internal and external reporting of risk depending on audience and business need

Single name concentration[1] exposure

		Total Cases	Total committed exposure (TCE)[2] £bn	% of total TCE[2]	Investment grade %	Number of entities under heightened monitoring
Financial Institutions	Dec 2008	150	132	12	62	43
	Jun 2009	122	128	14	69	57
	TCE of top 20 – Dec 2008		87	8	85	6
	TCE of top 20 – Jun 2009		91	10	84	9
Corporates	Dec 2008	522	210	19	39	201
	Jun 2009	501	184	20	33	263
	TCE of top 20 – Dec 2008		53	5	68	10
	TCE of top 20 – Jun 2009		47	5	68	10

Dec 2008
Jun 2009

Â Revised approach from H109; New limits by credit grade

Â Slight reduction in overall number of SNC names

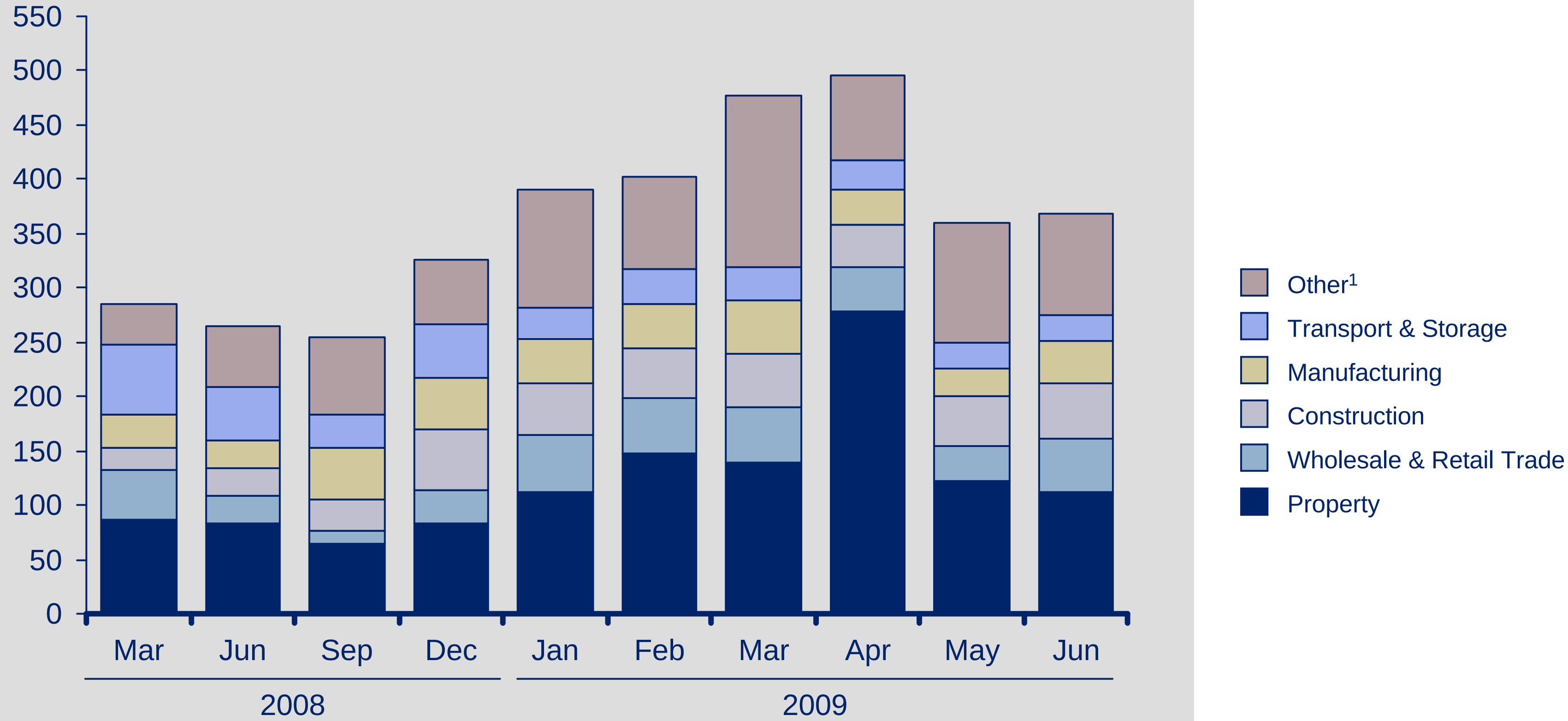
Â Small reduction in TCE

1 A new single name concentration framework was put in place in H109. This framework sets graduated appetite levels according to counterparty credit ratings. This slide shows names that are in breach of the framework. Prior comparatives are restated on a consistent basis

2 TCE (total committed exposure) includes both credit and counterparty risk. Total wholesale TCE group-wide as of year end 2008 = £1,087b; at end June 2009 = £912b

Impairments outlook – Wholesale

No. of corporate cases transferred to Recoveries Units globally



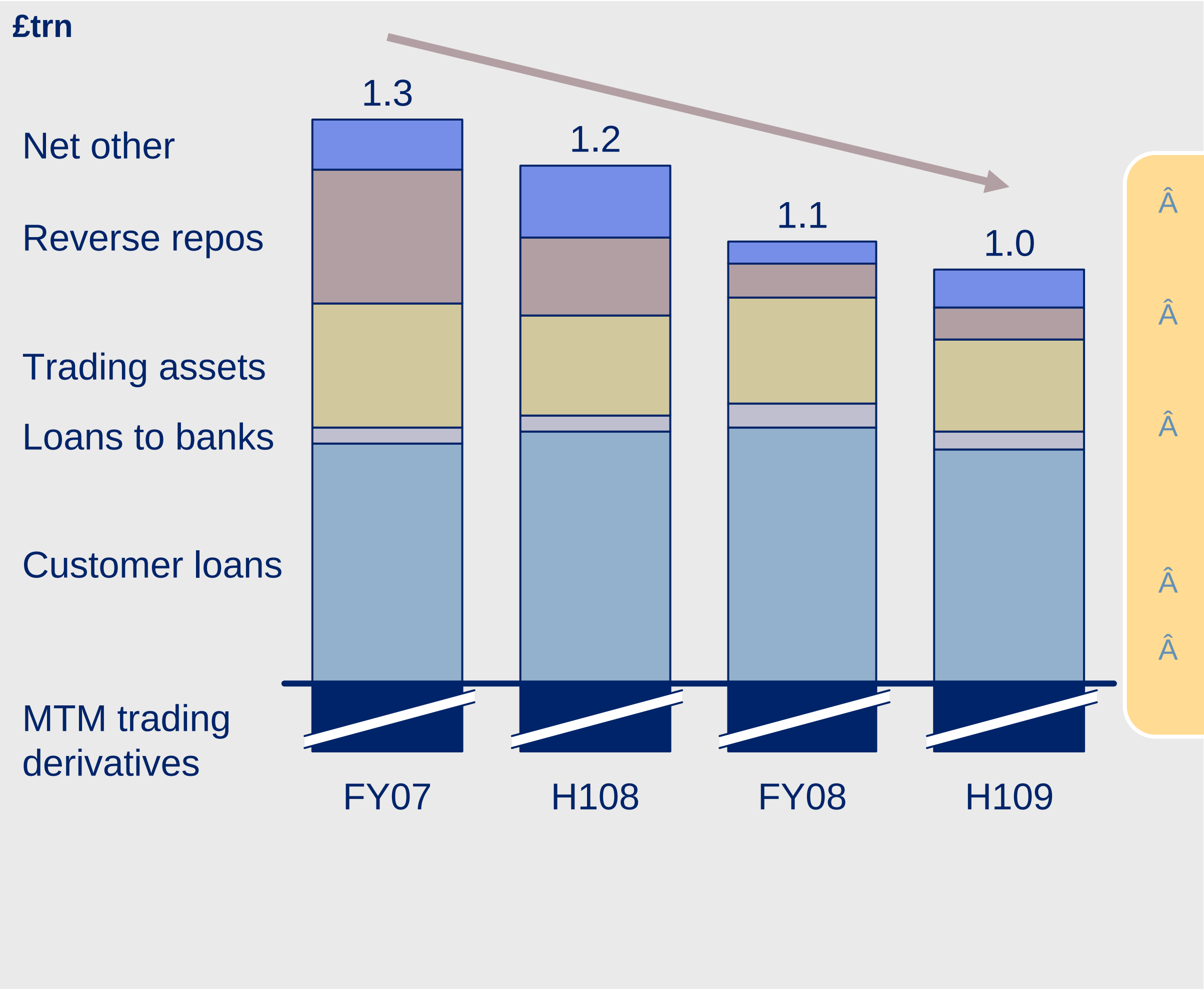
- Case flow reflects economic downturn
- Property cases a bigger proportion in H109 than H208
- Signs of levelling in Q209
- Remain cautious on outlook

1 Other includes Telecom, Media and Technology, Tourism & Leisure, Business Services, Banks & FIs and others

Funding & Capital

Composition of the balance sheet

Balance sheet road map FY07 to H109 on a constant currency basis



- Good progress on reducing balance sheet
- 23% lower on a constant currency basis in last 18 months
- GBM balance sheet down £340bn; modest growth in retail and commercial divisions
- Leverage[1] 22x
- Tangible common equity ratio[2] 3.0% (vs. 2.4% FY08)

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

Funding and liquidity

RBS

Key Funding Metrics	FY08	H109
Loan:deposit ratio	152%	144%
Loan:deposit gap	£241bn	£188bn
Wholesale Funding >1yr[1]	45%	47%
Liquidity reserves	£90bn	£121bn

Highlights

Â Significant progress in building the liquidity portfolio

Â 50% reduction in Central Bank funding

Â £5bn of non-government guaranteed term debt Q209

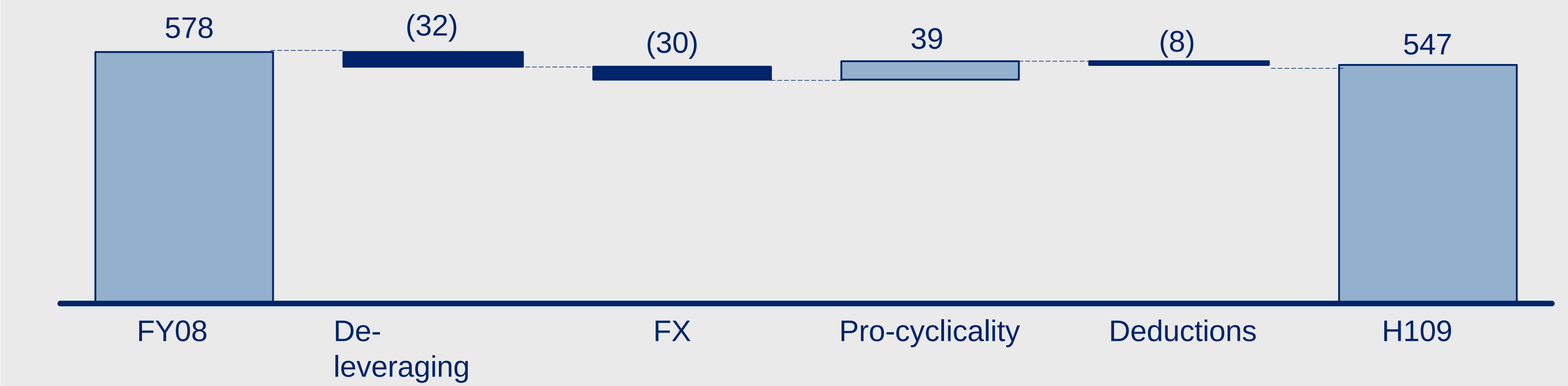
Â Good progress in improving the loan to deposit gap

Â Advancement on extending wholesale maturity profile

[1] Wholesale funding greater than 1 year excluding loans to banks and including subordinated debt

RWA progression

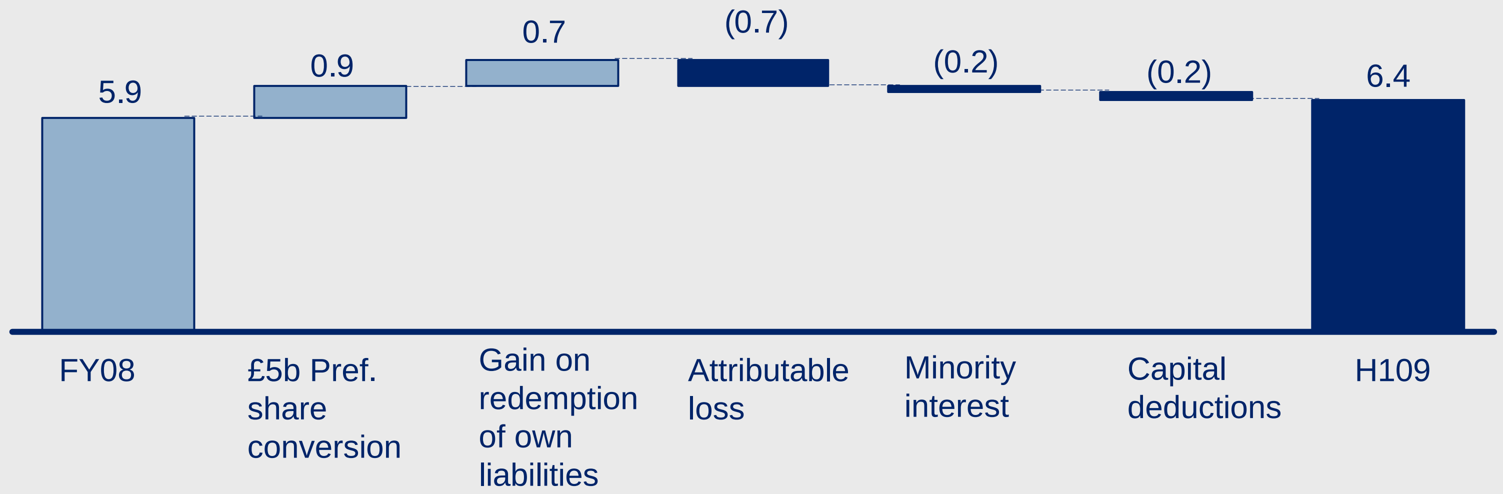
RWAs, £bn



- 6% reduction in RWAs at CFX from de-leveraging, primarily in GBM Portfolio Management
- Strengthening of GBP has resulted in reduction in RWAs
- De-leveraging largely off-set by pro-cyclicality
- Pro-cyclicality uplift primarily in Non-Core, UK Retail and UK Corporate

Capital progression

Core Tier 1 Ratio, %



- Core Tier 1 ratio 6.4%, up 50bp vs FY08
- Tier 1 ratio 9.0%, down 90bp vs FY08
- APS Core Tier 1 ratio benefit expected to be in excess of 5%[1]

[1]Subject to finalisation of terms, HMT and EU approvals, £19.5bn issuance of "B" Shares

Our focus now – Execution

RBS

- Vision, strategy and performance targets in place
- New management team, Non-Core Division, cost plan and risk plan in place
- Business continuing to serve its customers, sustaining core franchises

Now need to:

- Complete APS and related approvals
- Implement the plan – re-build & re-tool
- Sustain customers, staff and shareholders whilst results under pressure as economic weaknesses work through
- Deal with events

Confident we will re-build RBS to standalone strength

Questions?

Appendix

- APS
- Non-Core
- Risk, Cost Reduction Programme
- Financial Details
- Corporate Sectors
- UK Banking
- GBM
- US Retail & Commercial
- Ulster Bank

APS – Overview of the scheme

Credit protection from the UK government together with liability management and other measures would allow RBS to pass FSA stress tests, enhancing financial strength and providing stability for customers, depositors and investors as restructuring programme executed

Core elements of the scheme	Description
Â Protection of defined pools of assets	Â ~£294bn proposed covered assets excluding provisions and related adjustments Â ~70% of 1H09 impairments relates to proposed assets
Â RWA relief	Â Estimated at ~£150bn (1H09) (Reflecting 90/10 risk sharing on second loss)
Â First loss borne by RBS	Â £19.5bn (6% of gross pool) plus historical impairments and write-downs on the APS asset pool
Â Split of second loss	Â 90% to HMT, 10% to RBS
Â Fee paid and tax loss waiver	Â £6.5bn of gross pool to be amortised over 5 years Â Loss of deferred tax assets estimated £9bn to £11bn
Â UK lending commitment	Â £25bn in each of 2009 and 2010, subject to credit quality and demand

Â £19.5bn of B shares issued to HMT (50 pence per share) with a further £6bn optional drawdown available from 2010 if needed

Terms of the APS have been agreed in principle with HMT and are subject to further due diligence and State Aid approval

Operation and Key Terms

RBS

APS

- Protection for covered assets from the 1 Jan 2009 for the life of the assets
- Losses result from defined trigger events (failure to pay, bankruptcy, restructuring) and are net of recoveries
- Once finalised covered assets can be withdrawn but not substituted
- Management and administration of APS assets will be performed by RBS, but with significant oversight and step-in rights for HMT

B Shares

- £19.5bn of B shares issued, £6.5bn as payment of APS fee
- RBS has option from 2010 for 1 year to issue additional £6bn to HMT
- Dividend of 7% or 250% of ordinary share dividend whichever is highest
- Rank as Core Tier 1 capital
- Have limited voting rights
- Conversion will be automatic if RBS share price equals or exceeds 65p for 20 complete trading days in any 30 day trading period.

Asset Selection

Principal selection criteria:
- Â Risk and degree of impairment in base case and stressed scenario
- Â Liquidity of the exposure

Both core and non-core assets analysed. Inclusion of core assets reflects risk profile and provides capacity to meet UK lending commitments

Equity type exposure and real assets (e.g. hotels, ships, aircraft) not permitted

Citizens retail assets not permitted

Proposed APS Covered Assets

Subject to final agreement with HMT on covered asset pool

2008 RWAs, £bn, estimated

	Core	Non-Core	Total
APS	84	81	**165**
Non-APS	333	80	**413**
Total	**417**	**161**	**578**

2008 TPAs, £bn, estimated

	Core	Non-Core	Total
APS	90	110	**200**
Non-APS	886	142	**1,027**
Total	**976**	**252**	**1,227**

TPAs excluding undrawns, MTMs and derivatives

Proposed Core assets covered by APS

Subject to final agreement with HMT on covered asset pool

	2008 RWAs, £bn, estimated		2008 TPAs, £bn, estimated	
Divisions	**Total**	**Insured**	**Total**	**Insured**
GBM	167	33	513	29
UK Corporate	81	25	107	31
GTS	17		22	
UK Retail	46	17	104	18
Ulster Bank	24	9	48	12
Wealth	11		15	
Citizens	64		87	
RBS Insurance			11	
Manufacturing	2		7	
Centre	5		62	
Total	417	84	976	90

Proposed Non-Core assets covered by APS

Subject to final agreement with HMT on covered asset pool

	2008 RWAs, £bn, estimated		**2008 TPAs,** £bn, estimated	
Donor Divisions	**Total**	**Insured**	**Total**	**Insured**
GBM	113	60	177	77
UK Corporate	18	15	25	20
GTS	3		2	
UK Retail	2	1	3	1
Ulster Bank	7	5	18	12
Wealth	4		3	
Citizens	14		15	
RBS Insurance			2	
Manufacturing				
Centre	1		7	
Total	161	81	252	110

Appendix

Definition of Non-Core

RBS

BUs, Products, Locations and Customer Relationships that have not met the 5 Tests set in October 2008

	Features to remain Core
1 Customer franchise	Â Have a strong market share Â Have a sustainable customer franchise Â Are competitive in the changing market environment
2 Returns	Â Generate returns above our 15% hurdle rate across the cycle – higher for riskier businesses
3 Growth	Â Can achieve at least 5–10% organic growth in normal times
4 Risk and Funding	Â Are proportionate users of risk and balance sheet given their profitability Â Have sustainable funding requirements
5 Connectivity	Â Fit with the overall continuing RBS franchise Â Leverage shared skills, efficiencies and client relationships

Overview of the non-core division

Non-strategic assets

- Stressed assets, or those which do not meet our 5 strategic tests
- Includes portfolios, assets, and businesses
- Vast majority from GBM
- Retail and commercial businesses continental Europe and Asia
- Other Retail & Commercial Non-Core

Financials

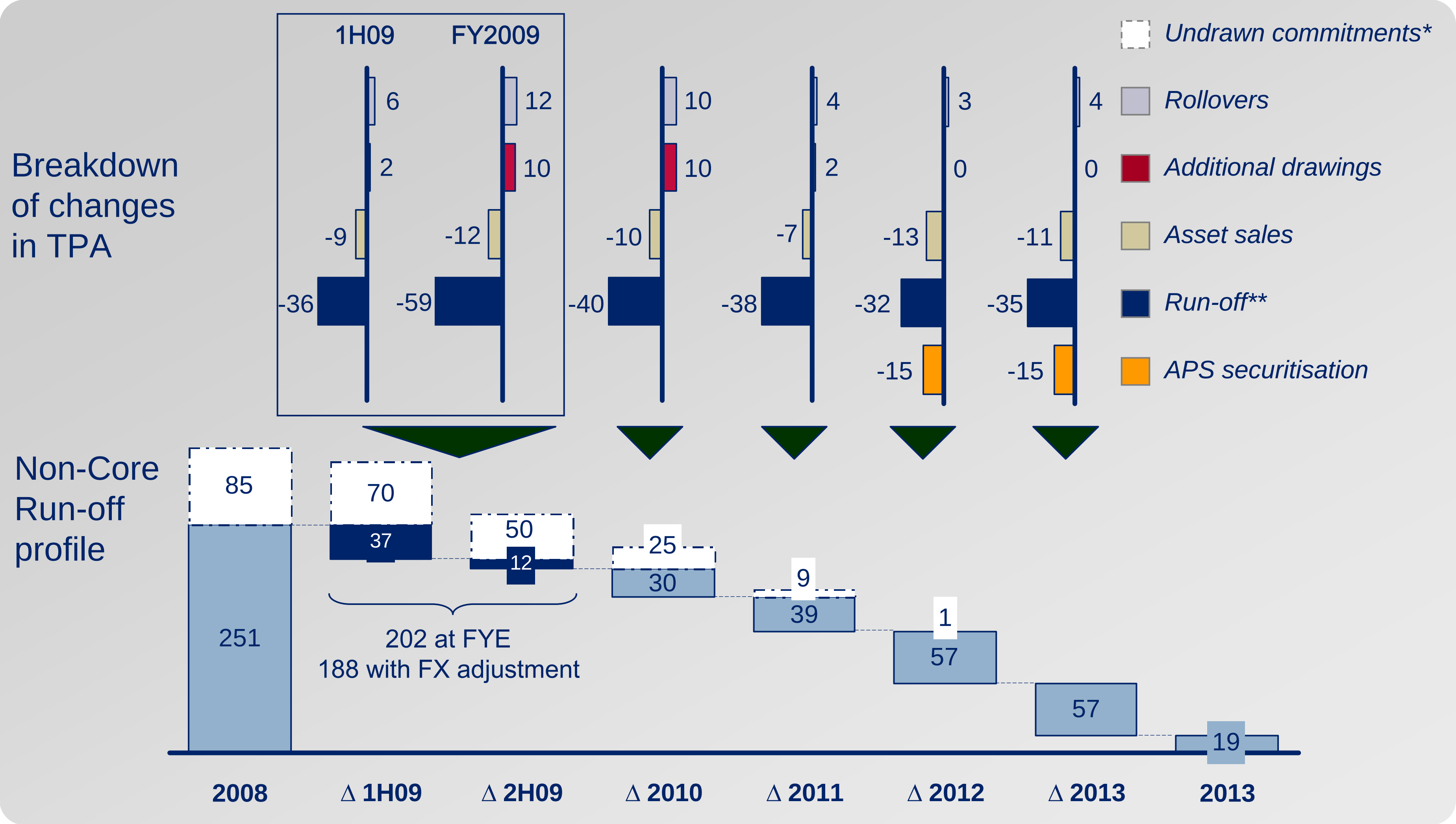
- TPAs £252bn at Dec 08, £200bn at Jun 09
- Derivatives £73bn at Dec 08, £31bn at Jun 09
- RWAs £161bn at Dec 08, £164bn at Jun 09

	1H09
– Income before write-downs	£1.2bn
– Impairments	£5.3bn
– Write-downs	£4.2bn
– Operating loss	£9.6bn

- Separately managed, reporting line to CEO
- Matrix support from donor Divisions
- Run-off over 3–5 years as fast as is consistent with value, risk and APS

Non-core asset run-off targets

Non Core third party assets (TPAs excl MTMs) run-off profile, £bn



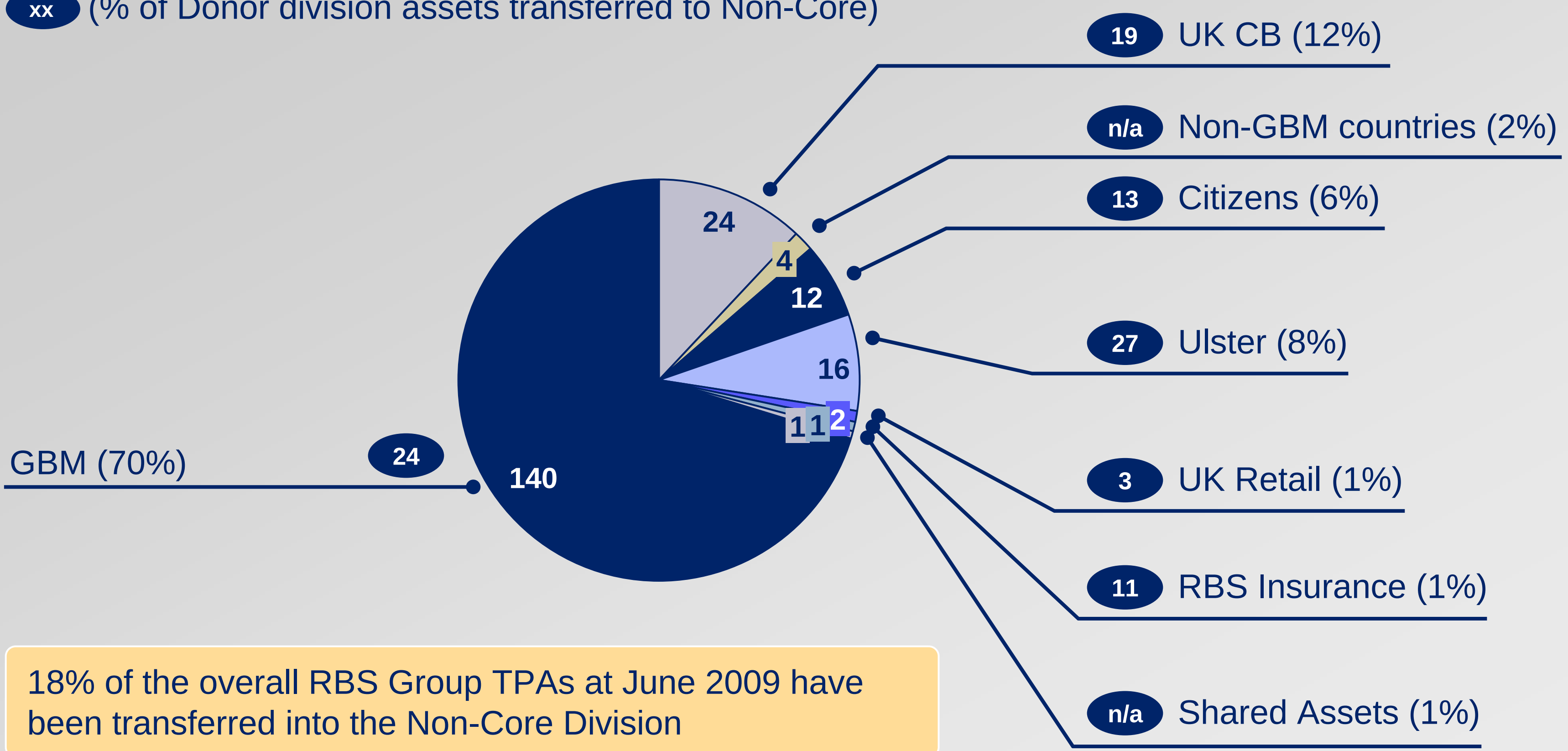
* Undrawn commitments show end of the year absolute numbers instead of differential
** Includes contractual amortisations, impairments, and repayments / cancellations
Note: run-off at constant year-end 2008 FX rates

Non-Core third party assets (TPAs)

Total £200bn (TPAs excl derivatives) as of 1H09 across a broad range of asset classes, customer segments and geographies

TPAs*, £bn

xx (% of Donor division assets transferred to Non-Core)



18% of the overall RBS Group TPAs at June 2009 have been transferred into the Non-Core Division

* Excluding mark to market

Appendix

- APS
- Non-Core
- **Risk, Cost Reduction Programme**
- Financial Details
- Corporate Sectors
- UK Banking
- GBM
- US Retail & Commercial
- Ulster Bank

A fundamental remake of RBS' risk profile

RBS

Successful implementation of RBS' restructuring plan will include a fundamental and permanent risk reduction– though banks cannot exist without measured risk taking

RBS risk – Changes underway

Strategy and culture

- From "size, growth, stretch and acquisition" to "customer focus, organic focus, stability and retrenchment (geography and product)"
- Emphasis on strong strategic foundation including risk management and control
- Business empowerment, accountability and ownership

Business foundations

- High quality, stable and diversified profit streams
- Anchored by leading positions in customer-driven markets
- Full cost and capital allocations. Focus on returns not profit growth
- Quality of management, customer focus, technology enablement, resource usage, are the hallmarks
- Balance sheet a fully costed enabler, not the primary driver of profit

A fundamental remake of RBS' risk profile

RBS

RBS risk – Changes underway

Balance sheet and risk

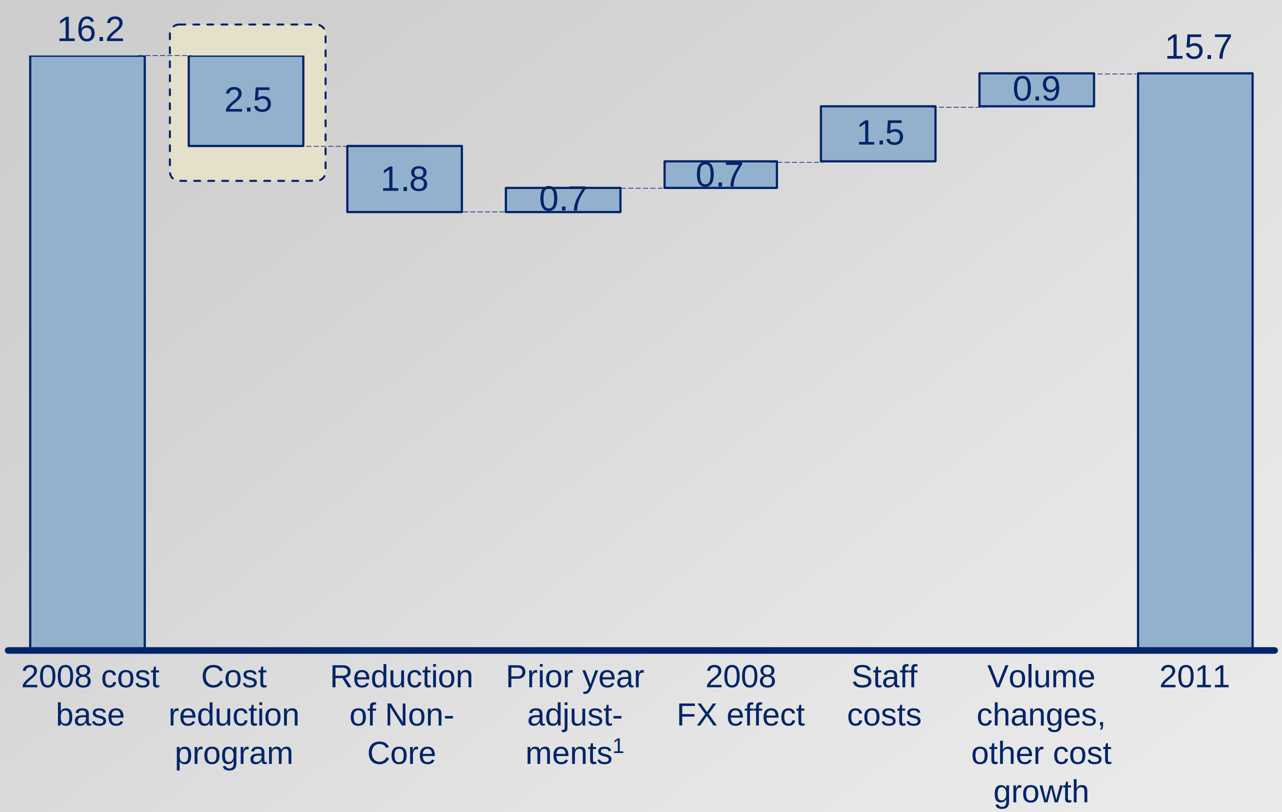
- Doubled Core Tier 1 capital ratio
- Creation and run off of £252bn Non-Core bank
- Tangible equity leverage ratio from ~42x to ~25x by 2013 including B Shares, in line with peers
- 1:1 loans/deposits target
- Maturity matching for wholesale funding and liquidity buffer increased by £100bn
- Dramatic reduction in short-term wholesale reliance

Process and governance

- Improve systems and processes throughout bank
- New Board and Executive risk committees
- AA category ratings goal a centrepiece of strategy
- Risks and resource usage embedded as central to performance management
- Embed risk/ reward culture in all businesses

£2.5bn cost reduction programme underway

£bn, 2011 net P&L impact targeted



Progress against targets

0.6bn savings in H1

- Annualised, approximately £1.1bn of £2.5bn delivered

ABN integration nearly there

- Client and trade novations
- Systems de-duplication
- Technical separation delivered in Netherlands

New restructuring and efficiency programmes

- Major efficiency programmes mobilised in Divisions
- All other costs also rebased
- FTE reductions in H1 of 6,400 as businesses are integrated & right-sized

(1) Non-repeating credits £243m; profit sharing replacement for junior staff £198m; other items £214m

Appendix

- APS
- Non-Core
- Risk, Cost Reduction Programme
- **Financial Details**
- Corporate Sectors
- UK Banking
- GBM
- US Retail & Commercial
- Ulster Bank

Group allocations H109

£m

	Income	Costs		
	Funding	Centre	Manufacturing	Indirect Costs
UK Retail	(78)	(142)	(796)	(938)
UK Corporate	(134)	(36)	(219)	(255)
Wealth	39	(26)	(61)	(87)
GBM	164	(117)	(277)	(394)
GTS	59	(33)	(431)	(464)
Ulster Bank	(3)	(20)	(132)	(152)
US Retail & Commercial	(37)	(35)	(360)	(395)
RBS Insurance	(18)	(18)	(113)	(131)
Non Core	(746)	(45)	(234)	(279)
Total allocations	(754)	(472)	(2,623)	(3,095)
Manufacturing Split				
Group Technology			(930)	
Group Property			(959)	
Customer support			(734)	

Â Manufacturing costs up 9% yoy at headline, up 2% at constant currency

ABN AMRO – Netherlands separation time line

RBS

July 2009

New Banking & Payments IT Platform implemented

Separate existing key ABN AMRO platforms shared between RBS & Dutch State-owned partner

August 2009

Commence legal process for demerger

Filing of documents to Dutch Courts

November 2009

Legal demerger executed

Demerge Dutch State-owned assets to new ABN AMRO NV. Existing ABN AMRO bank renamed RBS NV

December 2009

Legal separation executed

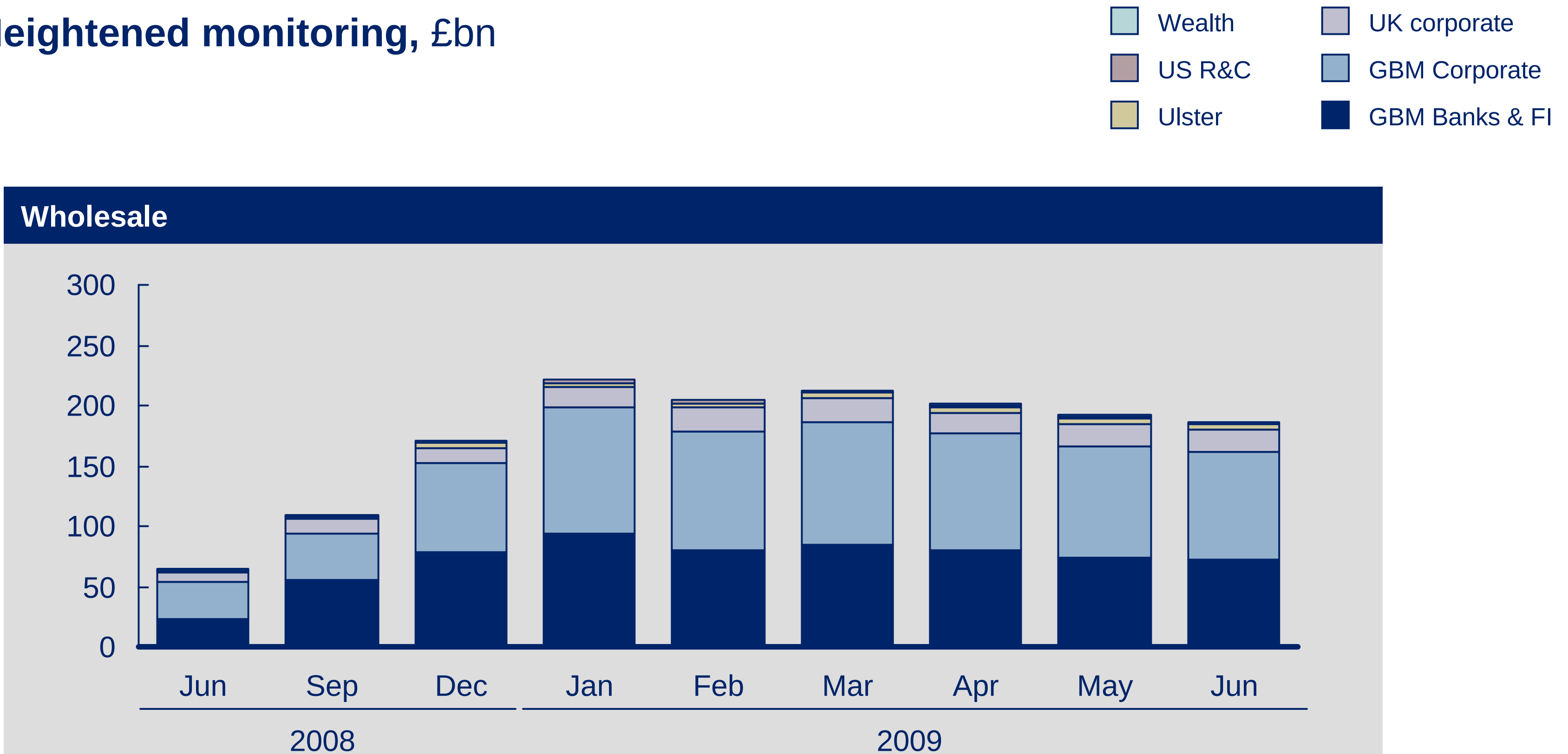
Separate new ABN AMRO NV and RBS NBV from joint holding company. Cease consolidating the Dutch State's interest in RBS Group's accounts

Â Major technical separation achieved on time

Â Separation subject to all legal processes and regulatory approvals

Heightened Monitoring - Wholesale

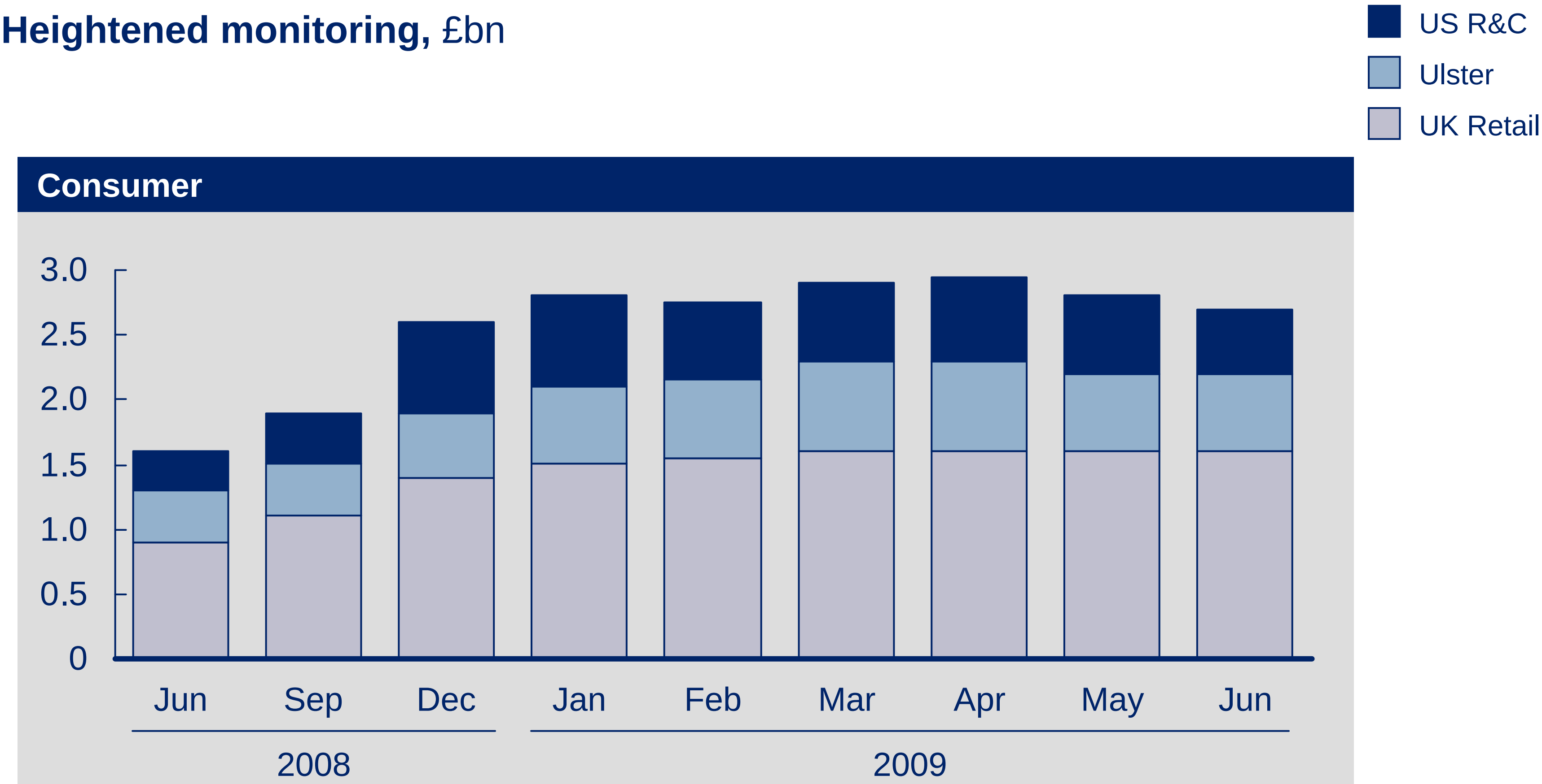
Heightened monitoring, £bn



- The Group operates a Heightened Monitoring process to ensure heightened monitoring applies to troubled or potentially troubled customers
- As at June 09, the Wholesale Watch list totalled £186bn down from £222bn in January; GBM accounted for 87%
- FX benefit in Q209, overall trend is flat
- Remain cautious on outlook

Heightened Monitoring - Retail

Heightened monitoring, £bn



- RBS Group Retail Heightened Monitoring totalled £2.7bn in June 09, reflects accounts in arrears
- FX benefit in Q2, overall trend is flat
- Remains susceptible to rising unemployment
- Remain cautious on outlook

Impairments – Non-Core

Total impairments by sector[1] (£m), L&A (£bn), and %[2]

GBM

Sector	H109 Impairments	H108 Impairments	L&A £bn	% of L&A
Man'fact & Infrast'	1,000			
Prop' & Constr'	471	94		
Transport	114			
Telecoms & Tech'	629			
Banks & FIs	219			
Other	553	165		
Total[3]	**2,986**		106	4.41%

UK Retail

Sector	H109 Impairments	H108 Impairments	L&A £bn	% of L&A
Mortgages	3		2	0.25%
Personal	32	20	1	7.29%
Other		27		

UK Corporate

Sector	H109 Impairments	H108 Impairments	L&A £bn	% of L&A
Prop' & Constr'	354	31	13	5.47%
Transport & Leisure	35		1	8.91%
Man'fact & Infrast'	191		1	38.18%
Financial Services	83	23	4	4.46%
Other	430	44	6	14.31%

Ulster Bank[4]

Sector	H109 Impairments	H108 Impairments	L&A £bn	% of L&A
Mortgages	18		6	0.63%
Commercial Inv. & Dev	27		3	1.93%
Residential Inv. & Dev	343	28	5	12.94%
Other	95	47	1	5.94%

US Retail & Commercial

Sector	H109 Impairments	H108 Impairments	L&A £bn	% of L&A
Auto & Consumer	60	30	3	3.47%
Cards	71	24	1	21.31%
SBO/Home Equity	297	164	4	14.39%
Residential Mortgages	21		1	4.22%
Commercial Real Estate	87		2	7.65%
Commercial & Other	38		1	5.99%

H109 Impairments

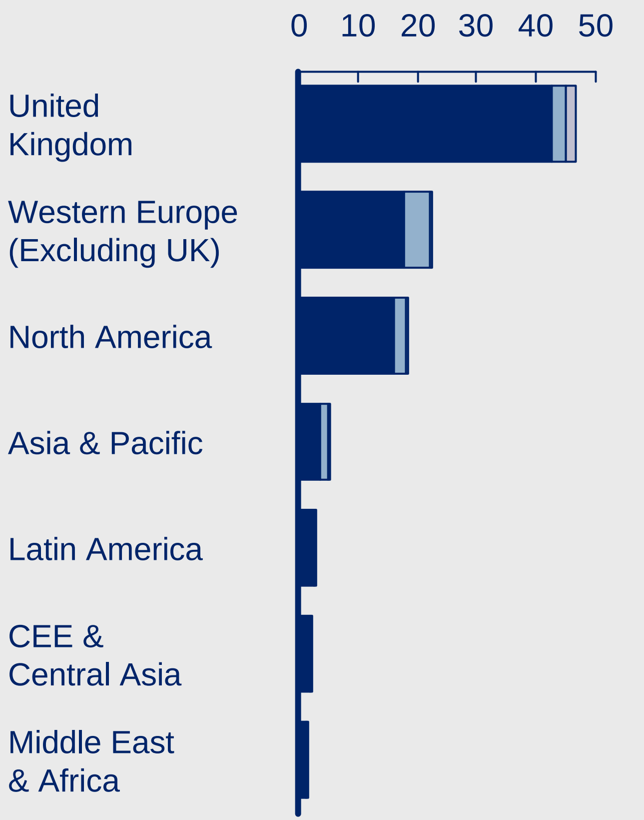
H108 Impairments

[1] Excludes Wealth (Asia R&C) and GTS, which are £156m and £17m in H109 respectively
[2] defined as LAR impairments over L&A less repos
[3] GBM impairment methodology does not map to industry sector loan classification hence total only shown
[4] Ulster Bank elements of Non-Core division only (excludes European retail units)

Core portfolio quality – by region and sector

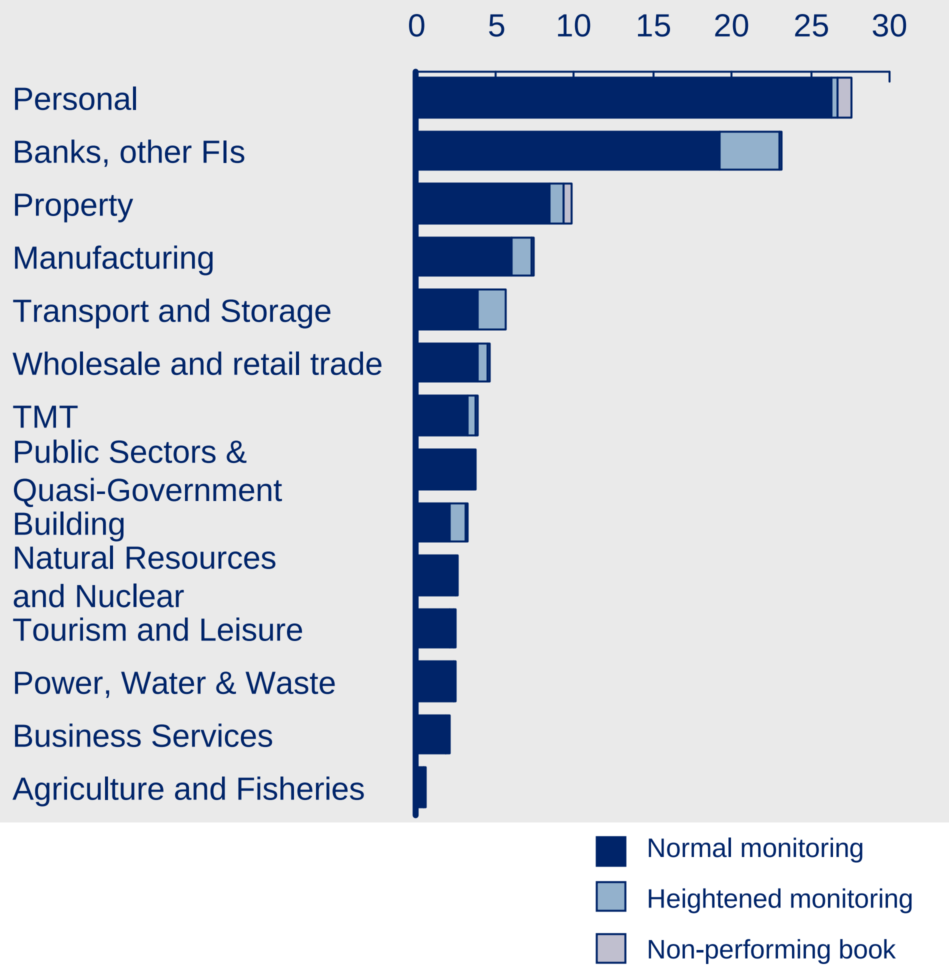
Exposure by region

Portfolio by region, %



Exposure by sector

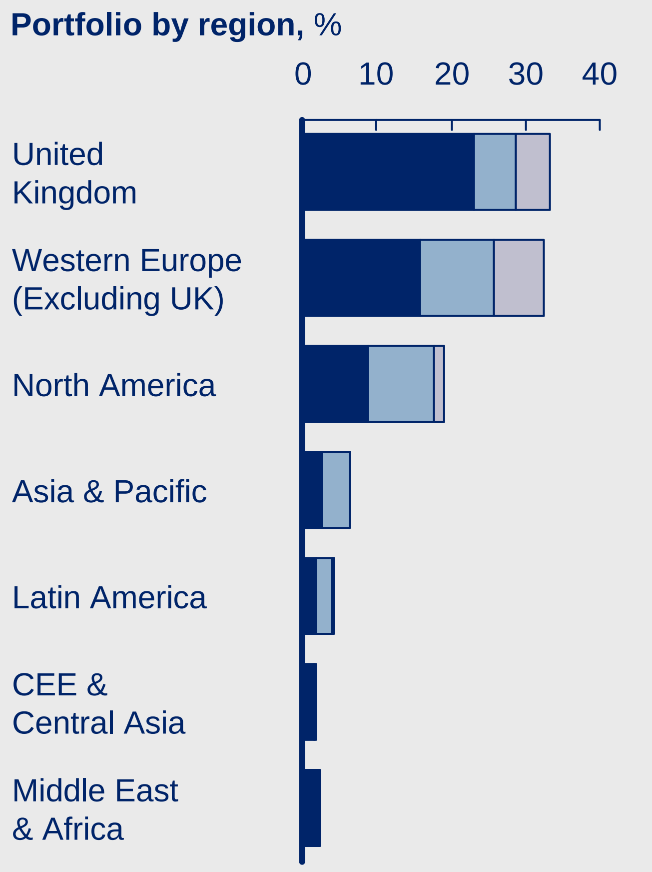
Portfolio by sector, %



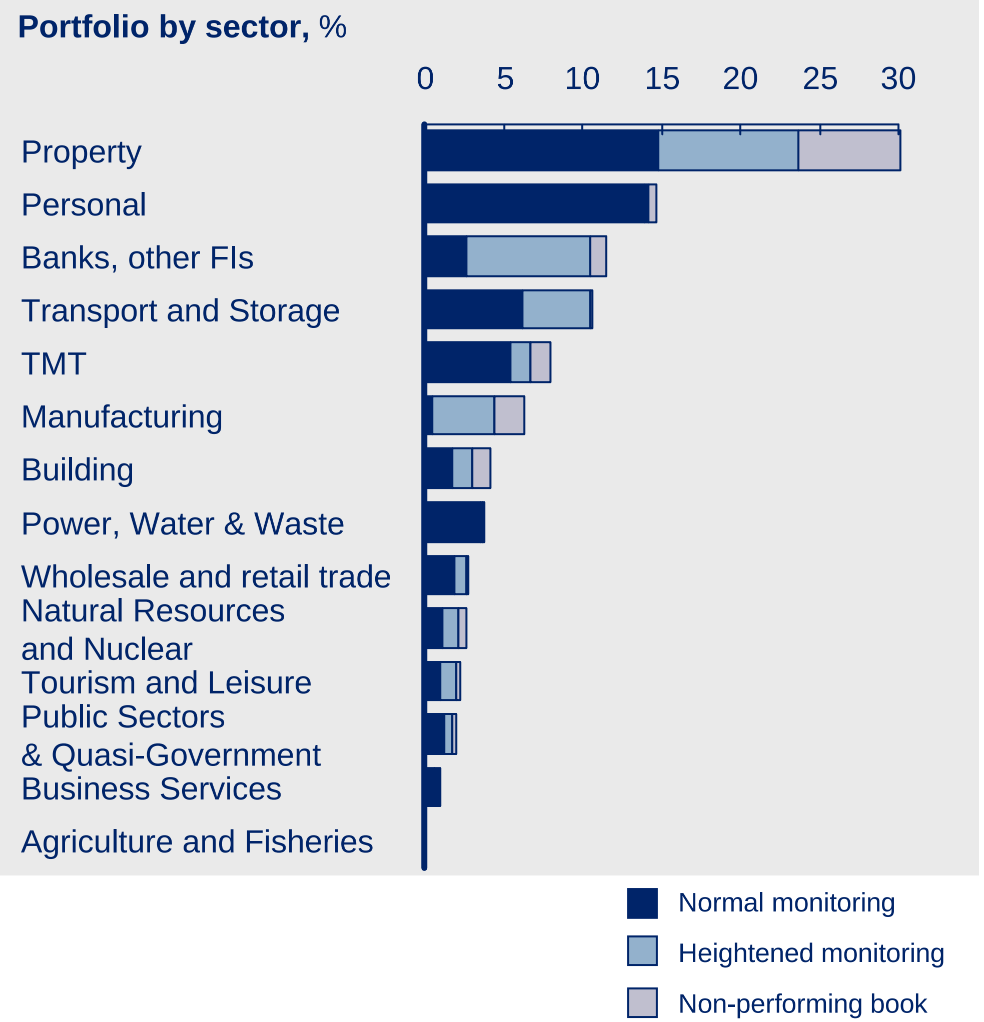
1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types

Non-core portfolio quality – by region and sector

Exposure by region



Exposure by sector



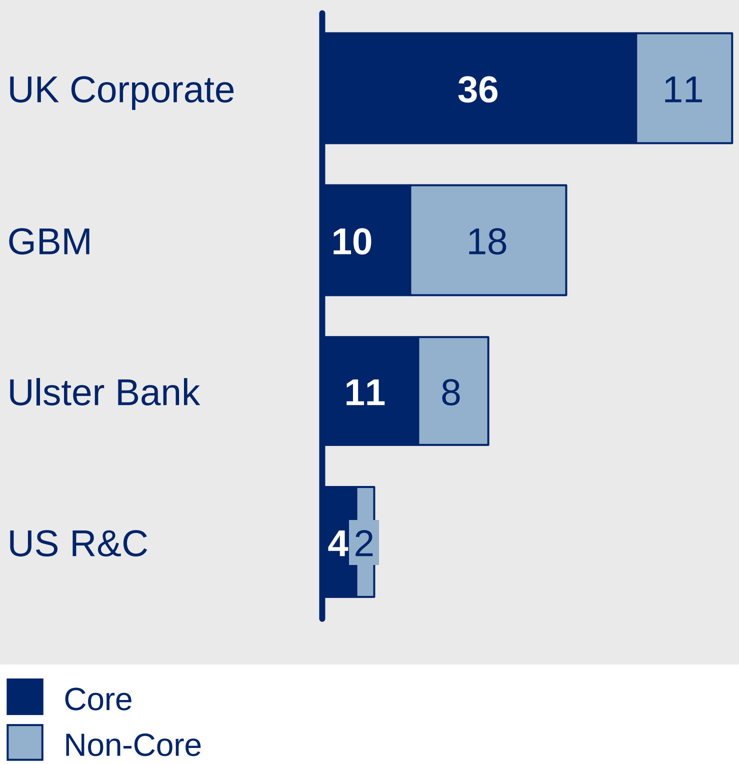
1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types

Commercial Property exposure[1,2]

Global Portfolio; £90.8bn; -8%*

Core; £54.7bn, Non-Core; £36.1bn

By division %



Global Portfolio

- 70% Investment and 28% Development
- Largest sectors within Investment properties are: 23% Retail, 21% Office, 18% Residential & 16% Mixed
- Less than 2% speculative
- Significant portion of lending was done on a cash flow basis
- Working with clients to restructure facilities as required

UK portfolio[2, 3]; £58bn; +2%[4]

Core; £40bn, Non-Core; £18bn

- UK represents 64% of the Global Commercial Property Exposure
- Average LTV 92%

1 Includes commercial property and residential property developers
2 Excludes peripheral property related activities, e.g., estate agents, surveying, etc. and construction
3 Consists of UK Corporate (£41.4bn), GBM (£8.4bn) and UBNI (£8.2bn)
4 Prior period figure has been restated to reflect internal reclassifications of certain business lines
Note Average LTVs based on internal view of asset values.
* Versus FY08

Appendix

APS

Non-Core

Risk, Cost Reduction Programme

Financial Details

Corporate Sectors

UK Banking

GBM

US Retail & Commercial

Ulster Bank

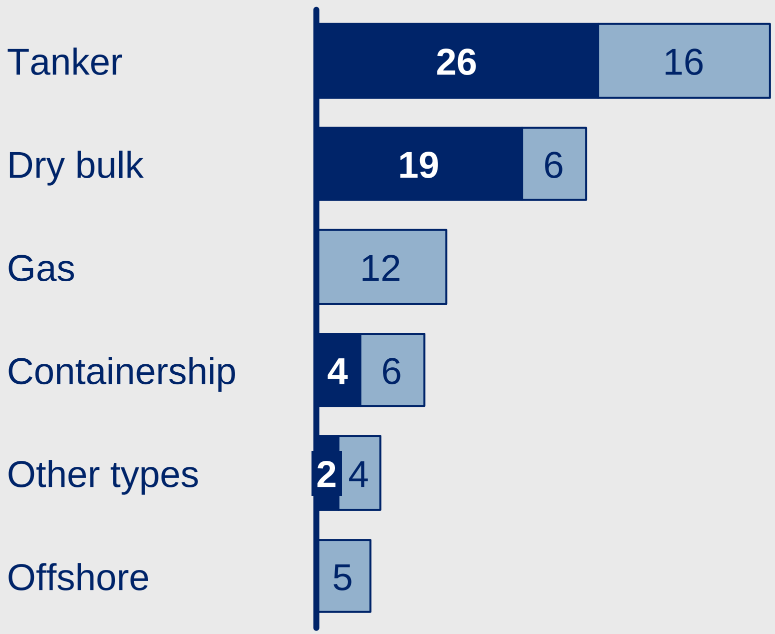
Corporate Sector – Shipping

RBS

Global Portfolio; £14bn; -16%*

Core; £8.0bn, Non-Core; £6.0bn

By sector %



Core

Non-Core

- Primarily lending to SPVs with full security over the asset and related cash flow
- Our core business will continue to focus on long-term relationships with established independent owners
- £5.1bn customer deposits across the portfolio
- 88% of lending against vessels built since 2000
- Core elements will be transferred to UK Corporate

Chart represents RBS Shipping Finance only (£10.2bn) and excludes derivative exposures

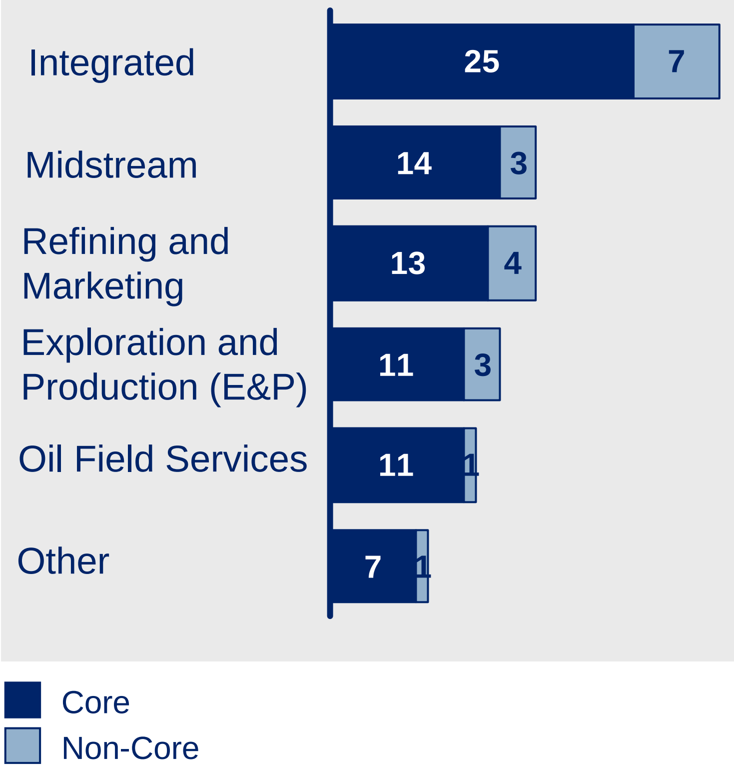
* Versus FY08

Corporate Sector – Oil & Gas

Global Portfolio; £18.6bn; -22%*

Core; £15.2bn, Non-Core; £3.4bn

By sector %



- 88% GBM, 6% UK Corporate, 6% other
- E&P exposures are principally secured borrowing base facilities, referenced to conservative forward looking oil price assumptions, adjusted on a regular basis
- 38% Europe, 32% North America, 30% Rest of World

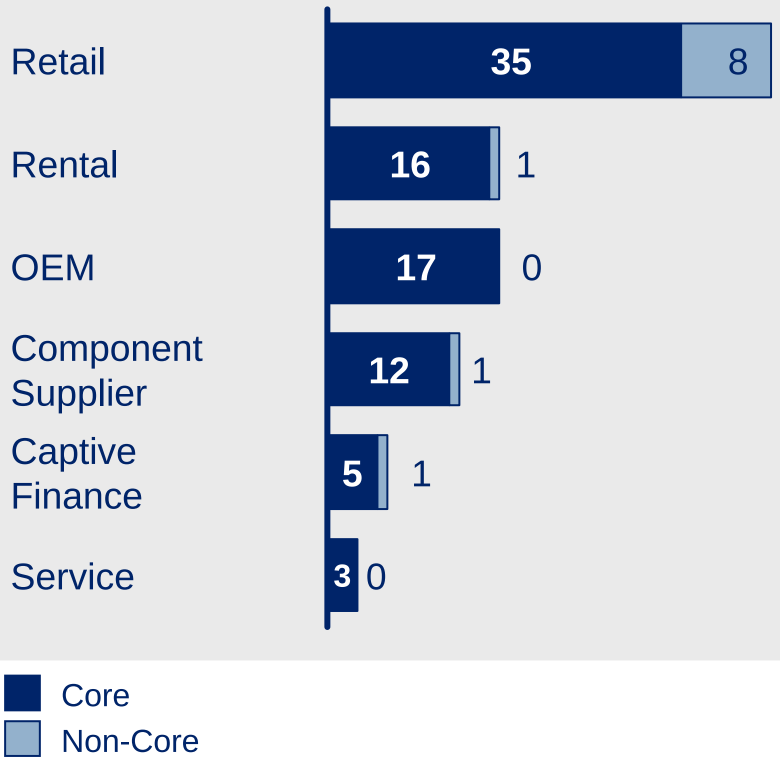
* Versus FY08

Corporate Sector – Automotives[1]

Global Portfolio; £10.8bn; -23%*

Core; £9.5bn, Non-Core; £1.3bn

By sector %



- 53% GBM, 33% UK Corporate, 8% US R&C, 6% other
- Maintaining a cautious approach to the sector
- Relationships with largest players
- Portfolio continues to face challenges due to sector and structural issues

1 Automotive exposure excludes conduits

2 Prior period amounts have been restated to reflect internal reclassifications of certain business lines

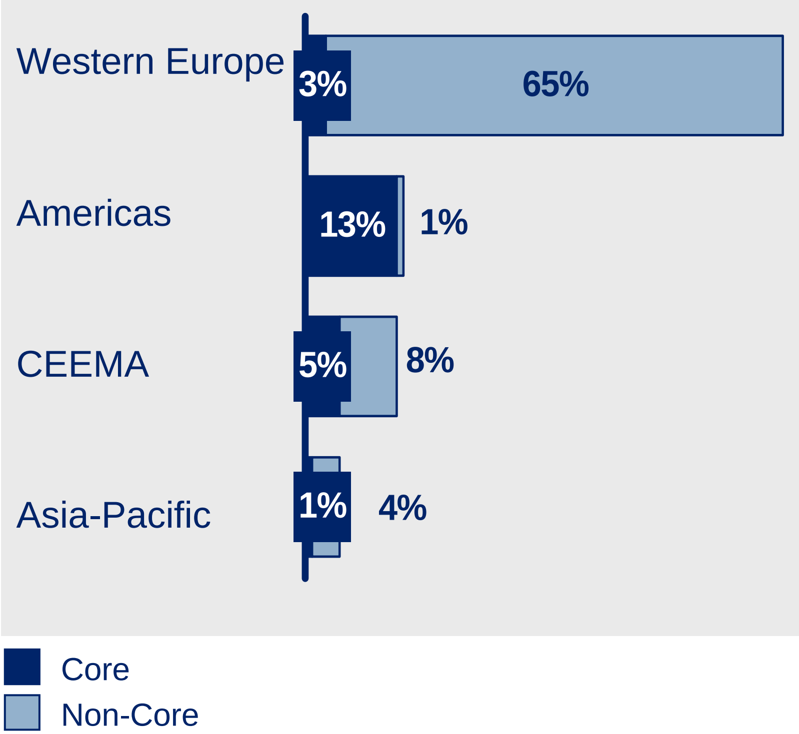
* Versus FY08

Corporate Sector – Project Finance

Global Portfolio; £13.6bn; -3%*

Core; £3.0bn, Non-Core; £10.6bn

By geography %



- Total deals; 637
- c50% of the book comprises social housing, quasi government backed, zero defaults
- C20% UK infrastructure PFI, quasi government backed
- A performing portfolio
- Strong underlying cashflow
- Focus on stable revenues
- Non-Core classification reflects strategic decision and is not based on credit deterioration

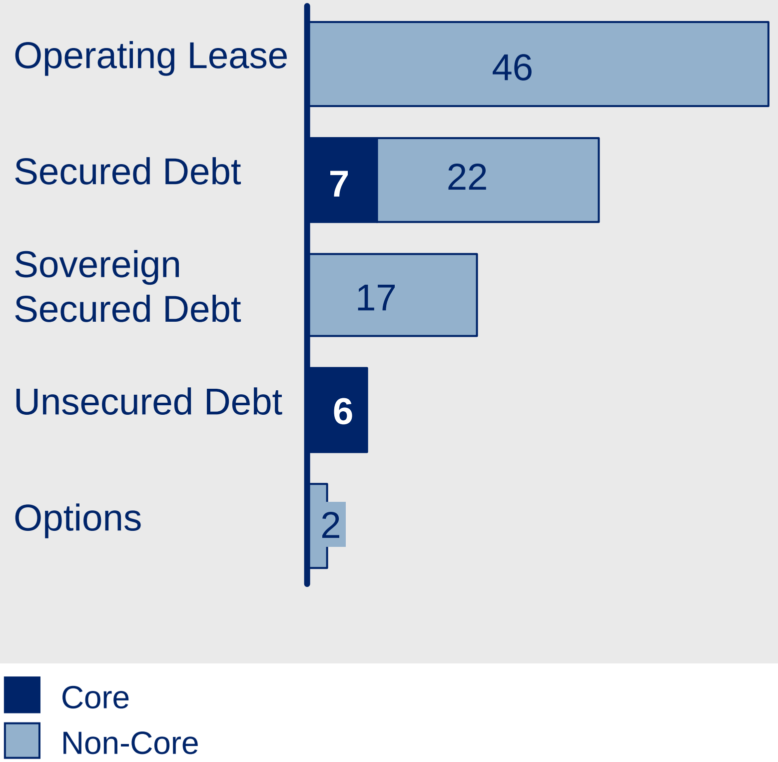
* Versus FY08

Corporate Sector – Aviation

Global Portfolio; £15.6bn; -13%*

Core; £2.0bn, Non-Core; £13.6bn

By Facility type %



- Majority of exposures are managed by Aviation Capital, a specialist leasing and debt provider to the aviation industry
- 49% Europe, 18% North America
- Modern fleet – Average age 3.6 years[1]
- 80% of the large passenger aircraft book is narrow-bodied aircraft
- A well secured portfolio with an average LTV of 61% based on current market values[4]
- Operating Lease book and secured aircraft asset exposures totalling £13.6bn are Non-Core
- Unsecured exposures are to well rated airlines and national flag carriers who are core clients.

1 Based on delivered Operating Lease aircraft
2 Operating Lease numbers include: Counterparty lease exposure & residual value element
3 Conservatively includes full cost of ordered aircraft
4 Excludes operating leases where RBS owns the underlying assets
* Versus FY08

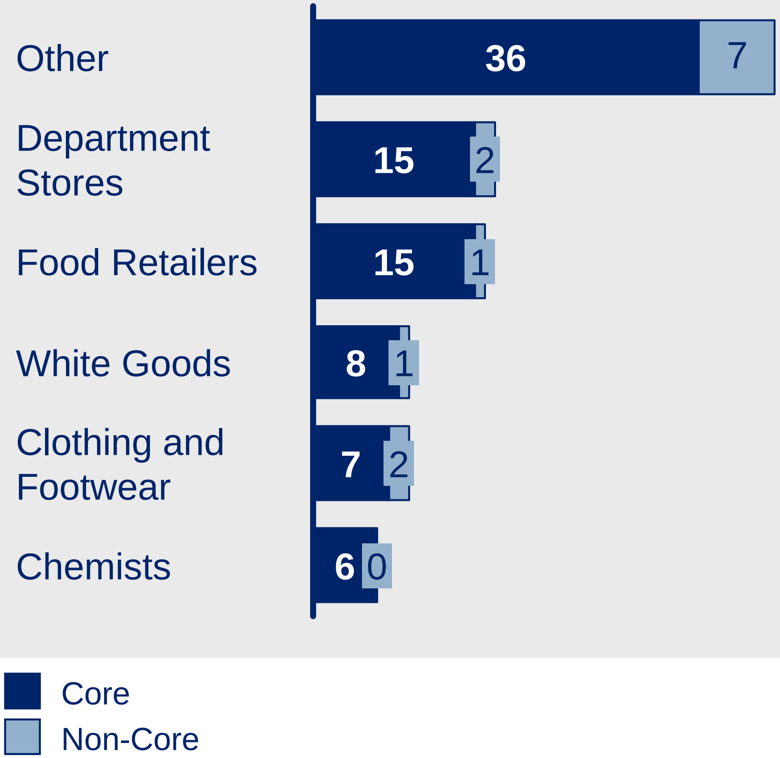
Corporate Sector – Retailers

RBS

Global Portfolio: £22.9bn; -7%*

Core: £20.0bn; Non-Core: £2.9bn

By Retailer type %



- £22.9bn total exposure
- 40% GBM, 33% UK Corporate, 10% US R&C, 9% Ulster, 8% Other
- Cautious stance taken in 2008/09
- Small number of cases in Restructuring unit currently

Prior period figure has been restated to reflect internal reclassifications of certain business lines

* Versus FY08

Appendix

- APS
- Non-Core
- Risk, Cost Reduction Programme
- Financial Details
- Corporate Sectors
- **UK Banking**
- GBM
- US Retail & Commercial
- Ulster Bank

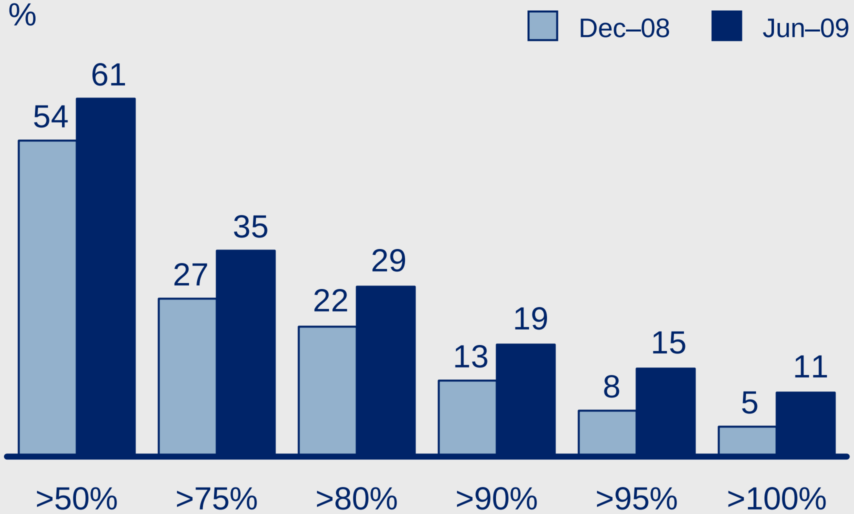
UK Retail mortgages

UK Portfolio[1]; £78.6bn; +6%*

Core; £76.6bn, Non-Core; £2.0bn

Cumulative LTV distribution as % of book volume[1]

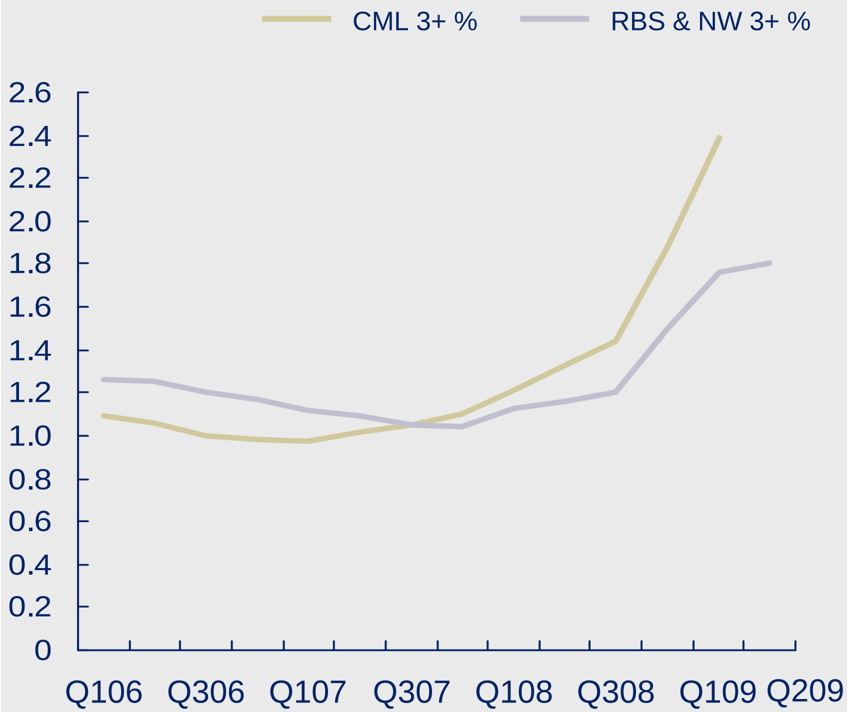
%



- 97% Core / 3% Non-Core
- 93% Mainstream, 7% Buy-to-Let
- Mainstream LTV – 60%
- Mortgage impairment charge in H109 – £65m

Mortgages – Arrears vs. CML[2]

%



1 Excludes Northern Ireland & business off-set mortgages

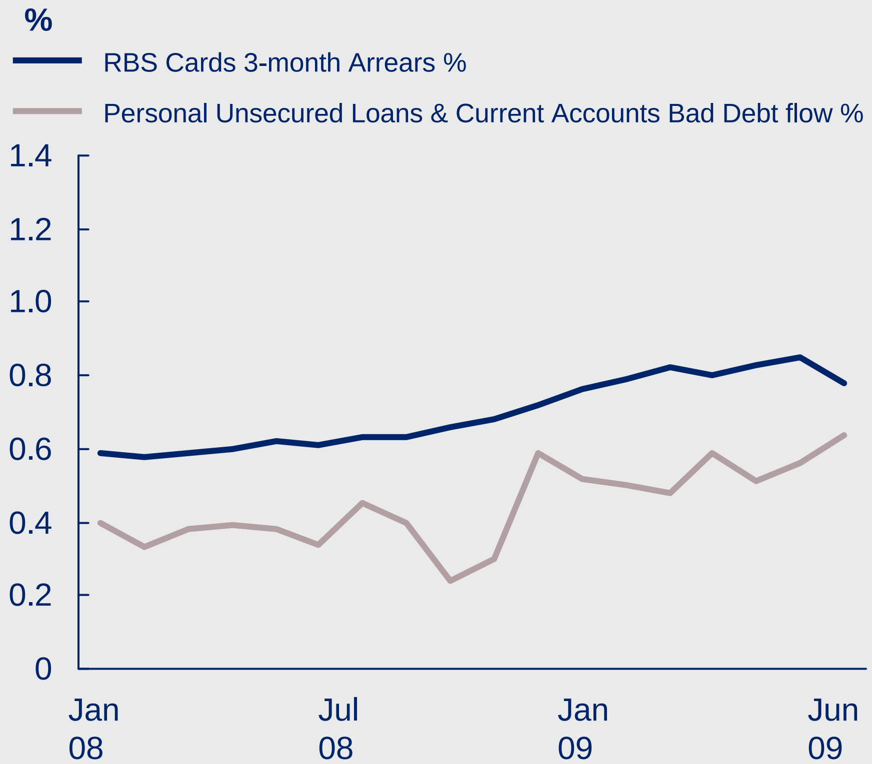
2 Council of Mortgage Lenders
LTV basis – current valuation, by volume

* Versus FY08

UK Personal Unsecured

Bad debt experience – Personal & Cards

Core:£20.6bn; Non-Core: £0.9bn

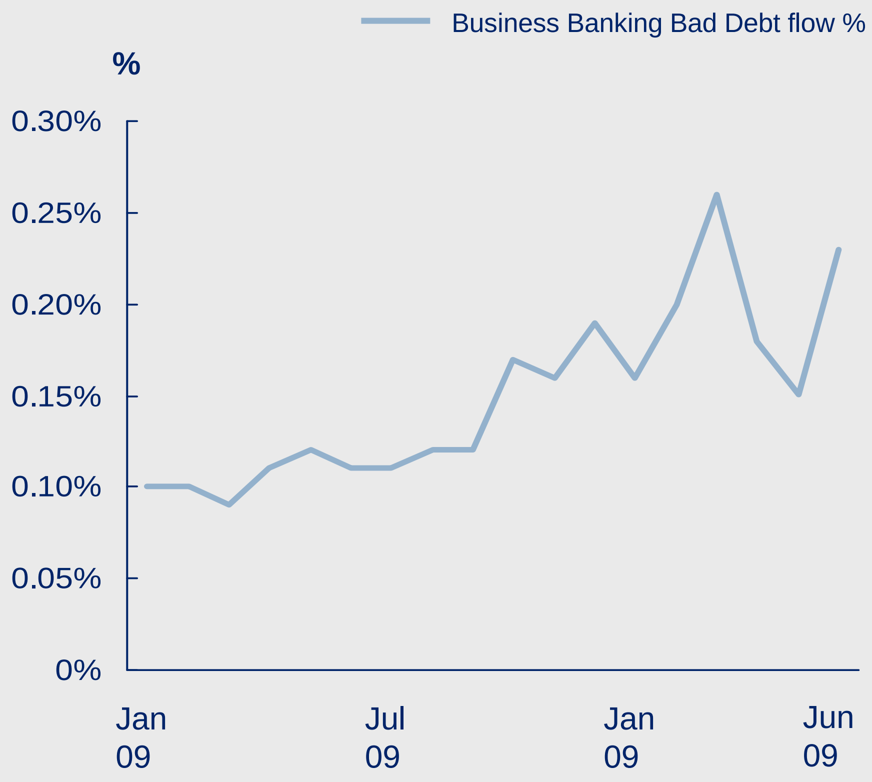


- Evidence of increased pressure on UK consumers' finances
- The Government's breathing space initiative has introduced a lag in the collections process which has led to a reduction in hardship debt flow in Q2
- Trend is anticipated to continue throughout rest of 2009 as unemployment increases and refinance options continue to be limited

UK Corporate - Business Banking

Bad debt experience – Business Banking

Core; £17.5bn, Non-Core; £3.0bn



- Continued decline in asset quality driven by macro economic factors
- High levels of debt flow continued in H109
- High balance accounts entering recoveries have further exacerbated the trend

Appendix

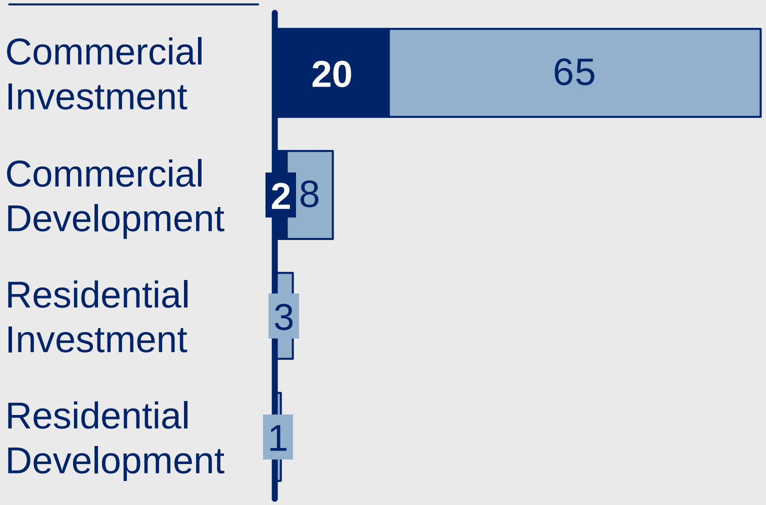
- APS
- Non-Core
- Risk, Cost Reduction Programme
- Financial Details
- Corporate Sectors
- UK Banking
- **GBM**
- US Retail & Commercial
- Ulster Bank

Commercial Property by type – GBM

Global Portfolio; £25.1bn; +0%*

Core; £8.6bn, Non-Core; £16.5bn

By sub-sector %



Core

Non-Core

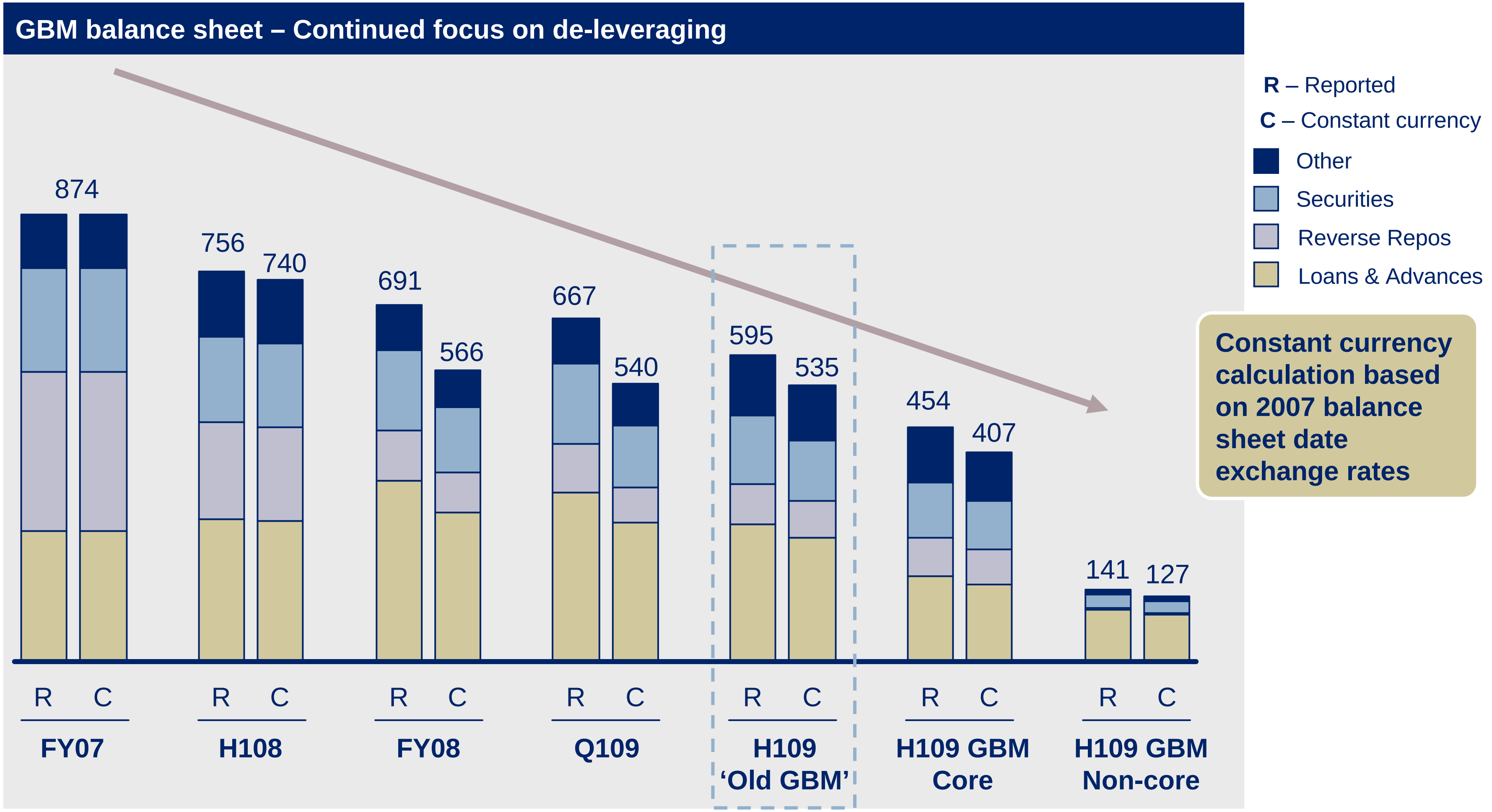
- 33% UK, 48% Western Europe (Germany 15%, Spain 5%), 3% USA,16% Rest of World
- 88% investment and 11% development
- Investment properties are primarily split 26% Office, 25% in Retail and 4% Industrial.
- Less than 1% speculative
- Average LTV 93%
- A large portion of the portfolio is deemed as Non-Core and reduction is expected to occur as liquidity returns to the market

Note: Average LTVs based on internal view of asset values.
Sub-Sector break down excludes ABN AMRO legacy portfolio

* Versus FY08

GBM balance sheet

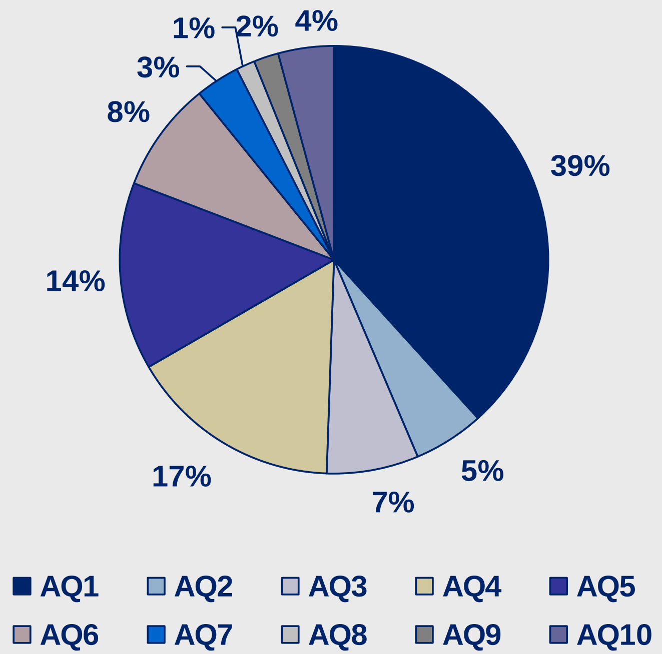
£bn



Constant currency calculation based on 2007 balance sheet date exchange rates

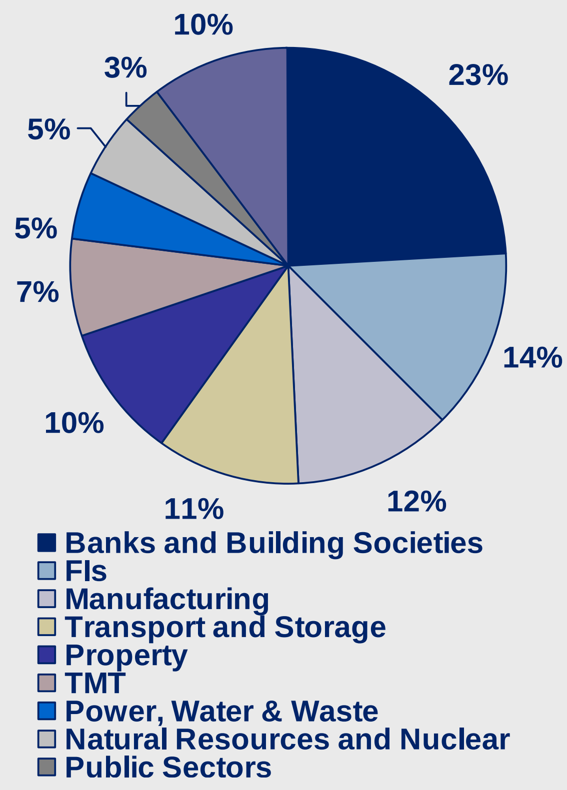
GBM credit portfolio by credit grade

GBM – Credit grade exposures[1]



81% of portfolio in bands AQ1-5

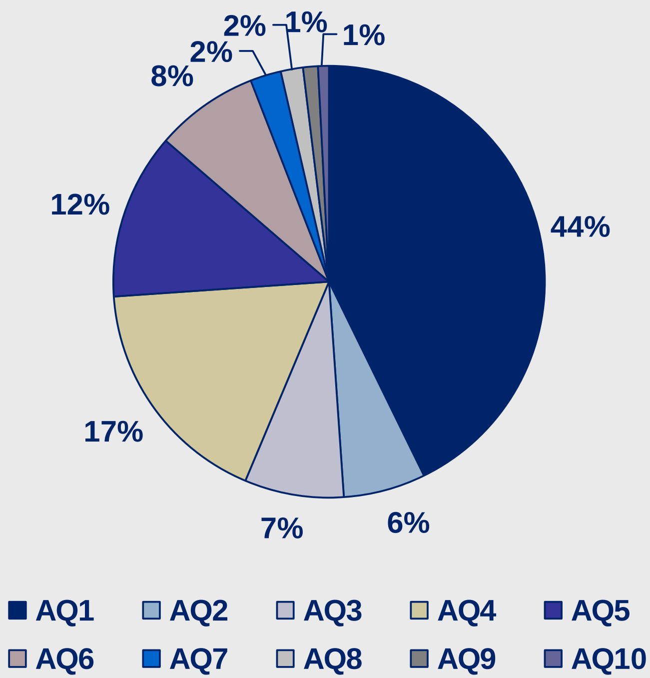
GBM – Sector exposures[1]



1 Based on utilisations

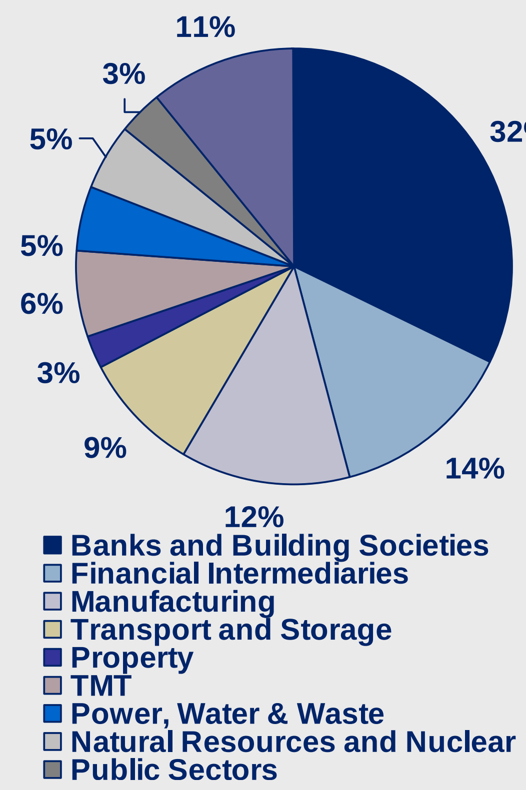
GBM credit portfolio by credit grade - Core

GBM – Credit grade exposures[1]



86% of portfolio in bands AQ1-5

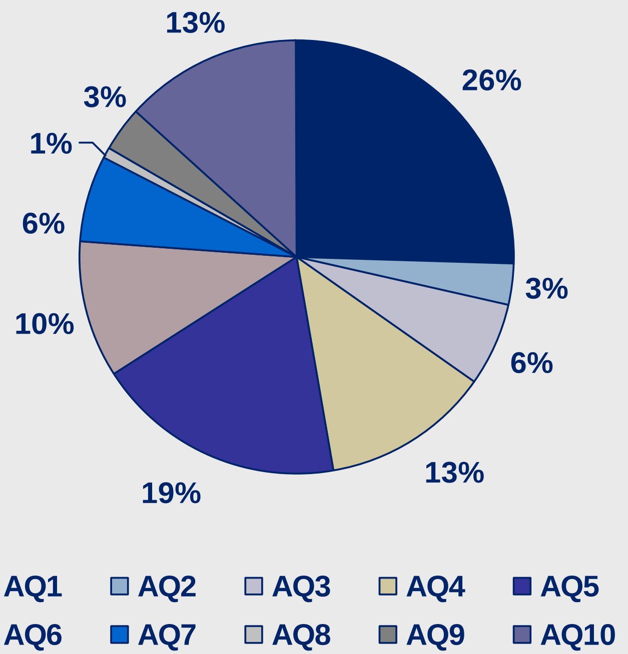
GBM – Sector exposures[1]



1 Based on utilisations

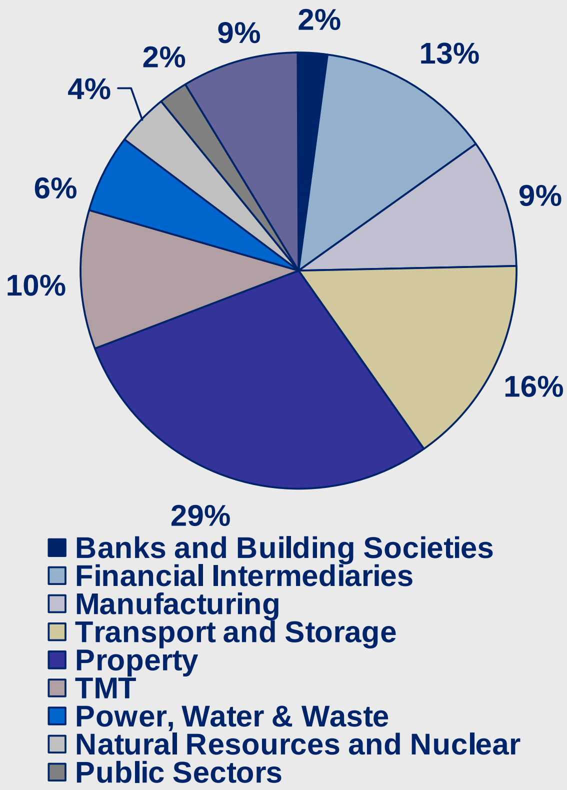
GBM credit portfolio by credit grade - Non-Core

GBM – Credit grade exposures[1]



66% of portfolio in bands AQ1-5

GBM – Sector exposures[1]

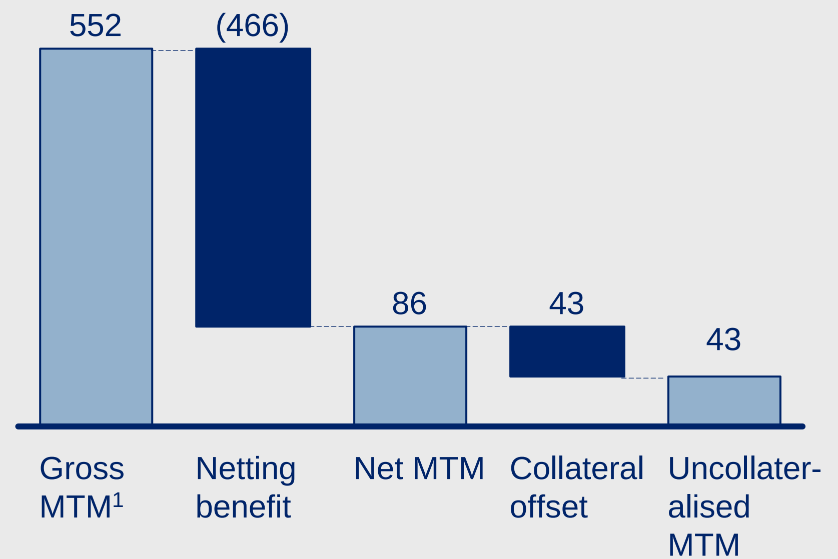


1 Based on utilisations

RBS

Derivatives – Majority is flow product in liquid markets

£bn



Asset (Gross MTM)	FY08 £bn	H109 £bn	% change
Interest rate	648	395	(39)%
Currency	162	76	(53)%
Credit derivatives	161	73	(54)%
Equity	9	8	11%
GBM Total[2]	**980**	**552**	**(44)%**

Uncollateralised Derivative Portfolio	FY08 £bn	H109 £bn	H109 %
Government	8	2	6%
Investment Grade	48	21	48%
Monolines & CDPCs	17	8	18%
Non-Investment Grade	23	12	28%
Total	**96**	**43**	**100%**

Collateralised exposure

- 95% G7 cash or government bonds, 5% other securities with haircut

Uncollateralised exposure

- £11bn non-core includes £5bn monolines and CDPCs

Decline in position driven by

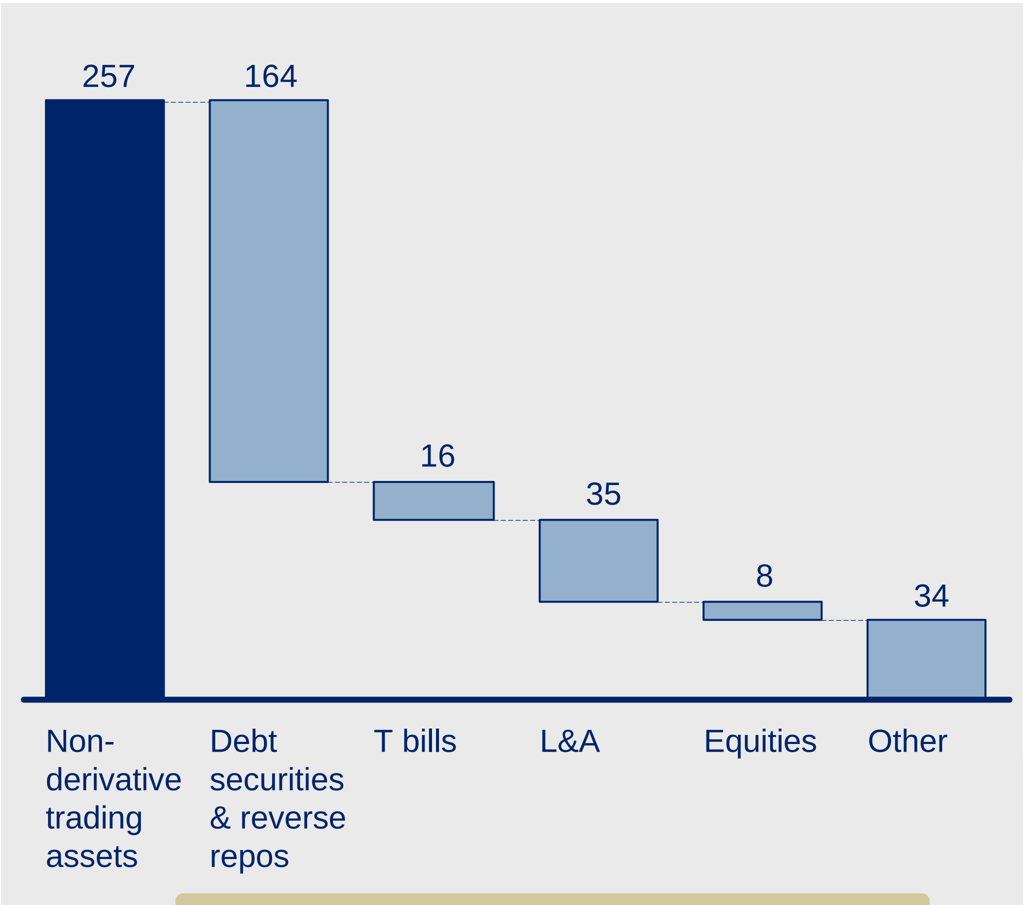
- Market parameters; i.e. interest rates/credit spreads
- FX related
- Increased netting benefits
- Counterparty contract close-outs

1 Including assets transferred to non-core

2 SEMPRA and Non GBM Excluded - £17bn gross / 3.5bn net. The net MTM is the MTM post legal netting applied in RBS GBM credit management systems

GBM – Non-Derivative trading assets[1]

£bn



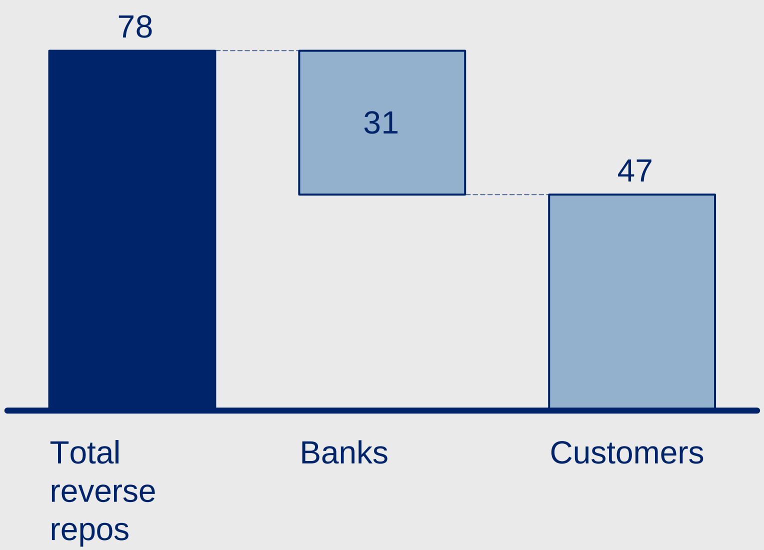
Asset	H109 £bn	2008 £bn	% change
Debt securities	95	110	(14%)
Reverse repos	69	92	(25%)
T Bills	16	16	-
Loans & advances	35	60	(42%)
Equities	8	11	(27%)
Other	34	30	13%
GBM total	**257**	**320**	**(20%)**

c8% of total portfolio now in Non-Core (£14bn debt securities, £3bn reverse repos)

1 Including assets transferred to non-core

GBM – Reverse repos[1]

£bn



Only 4% of portfolio (£3bn) in Non-Core

Exposure by counterparty	FY08 £bn	H109 £bn	% change
Reverse repos – Banks	57	31	(46%)
Reverse repos – Customers	39	47	21%
Total	**96**	**78**	**(19%)**

	% of total MTM	
Maturity profile	**FY08**	**H109**
< 3 months	82.6	93.7
< 6 months	12.1	3.3
< 1 year	4.4	3.0
> 1 year	0.8	0.0
Total	**100**	**100**

Collateral quality distribution	FY08 %	H109 %
Government	89	90
Corporates	7	7
Other	4	3
Total	**100**	**100**

1 Including assets transferred to non-core

Note:Collateral quality distribution and tenor distribution are calculated based on gross reverse repos

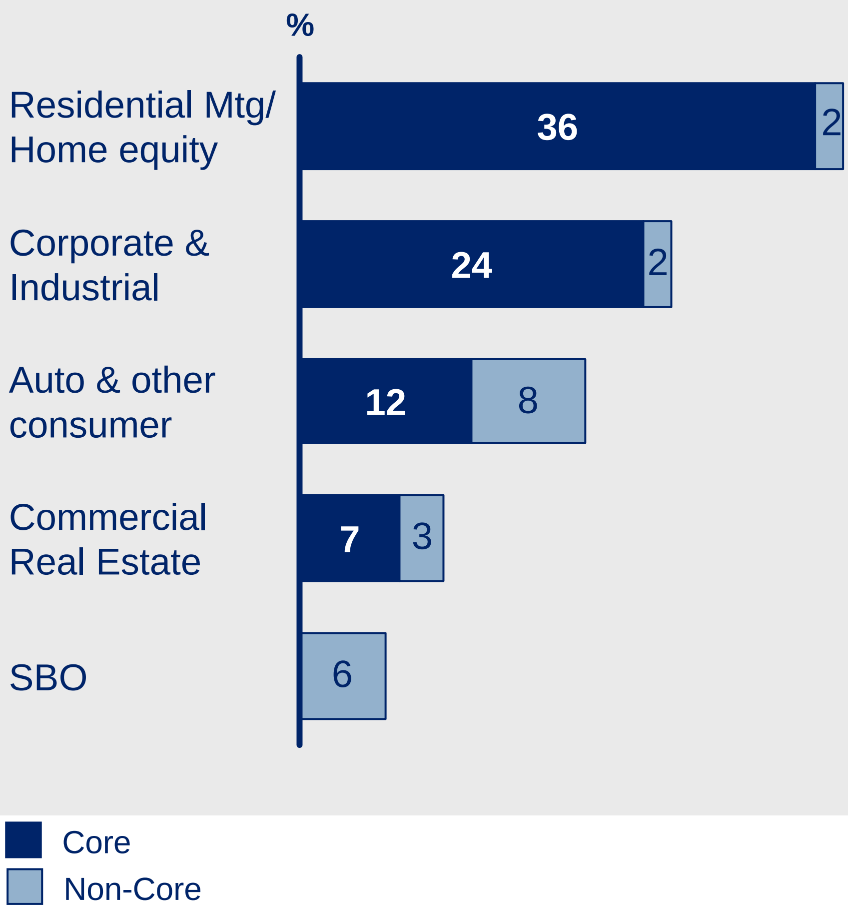
Appendix

- APS
- Non-Core
- Risk, Cost Reduction Programme
- Financial Details
- Corporate Sectors
- UK Banking
- GBM
- **US Retail & Commercial**
- Ulster Bank

US R&C

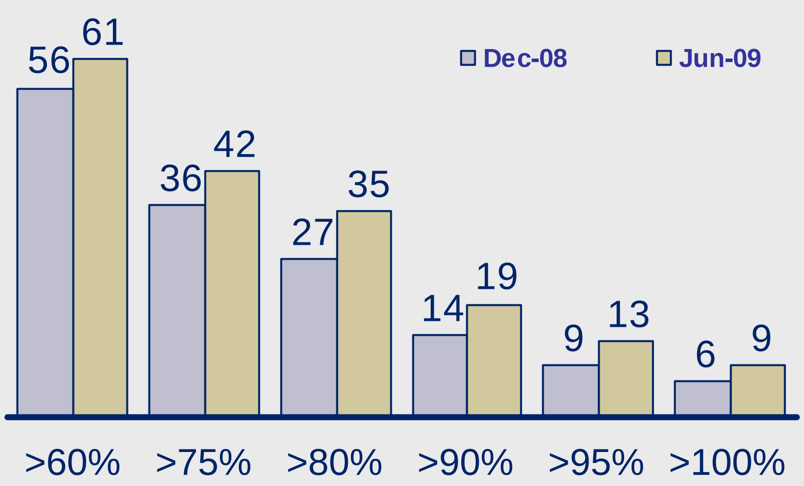
Total Portfolio; $103bn; -7%*

Core; $81bn, Non-Core; $22bn



Home Equity & Residential Mortgage Portfolio (ex SBO)

Cumulative LTV distribution as % of book value:



- Average LTV 68%
- Average FICO 739

Note:LTV basis – current valuation

* vs. December 2008. US GAAP

US R&C – Retail consumer lending metrics

		Core			Non-Core			
		Residential Mortgage	Home Equity	Auto	Residential Mortgage	Home Equity	Auto	SBO
	Outstanding Balance	$11.9bn	$25.9bn	$9bn	$1.4bn	$0.5bn	$0.8bn	$6bn
	Percentage of Total Loans	14%	32%	12%	1%	0%	0%	6%
	Weighted Average FICO[1]	742	740	738	704	725	694	726
	Weighted Average CLTV	66%	67%		90%	103%		101%
	Fixed Rate Loans	72%	51%		100%	62%		
	Adjustable Rate Loans	28%	49%		0%	38%		
	First Lien	99%	49%		99%	3%		4%
	Second Lien	1%	51%		1%	97%		96%
Portfolio Vintage	2009	8%	4%	15%	0%	0%	1%	0%
	2008	5%	15%	33%	0%	0%	20%	0%
	2007	9%	16%	25%	20%	75%	45%	18%
	2006	10%	15%	15%	14%	24%	22%	45%
	2005	28%	12%	11%	26%	0%	13%	31%
	Pre 2004	39%	39%	2%	39%	0%	0%	5%
Cumulative FICO Distribution	>700	79%	80%	70%	62%	74%	51%	62%
	>660	88%	90%	82%	75%	86%	69%	75%
	>520	98%	98%	96%	95%	98%	98%	94%

1 Weighted Average FICO and Weighted Average LTV's stated are the most recent available upon submission of the data

Appendix

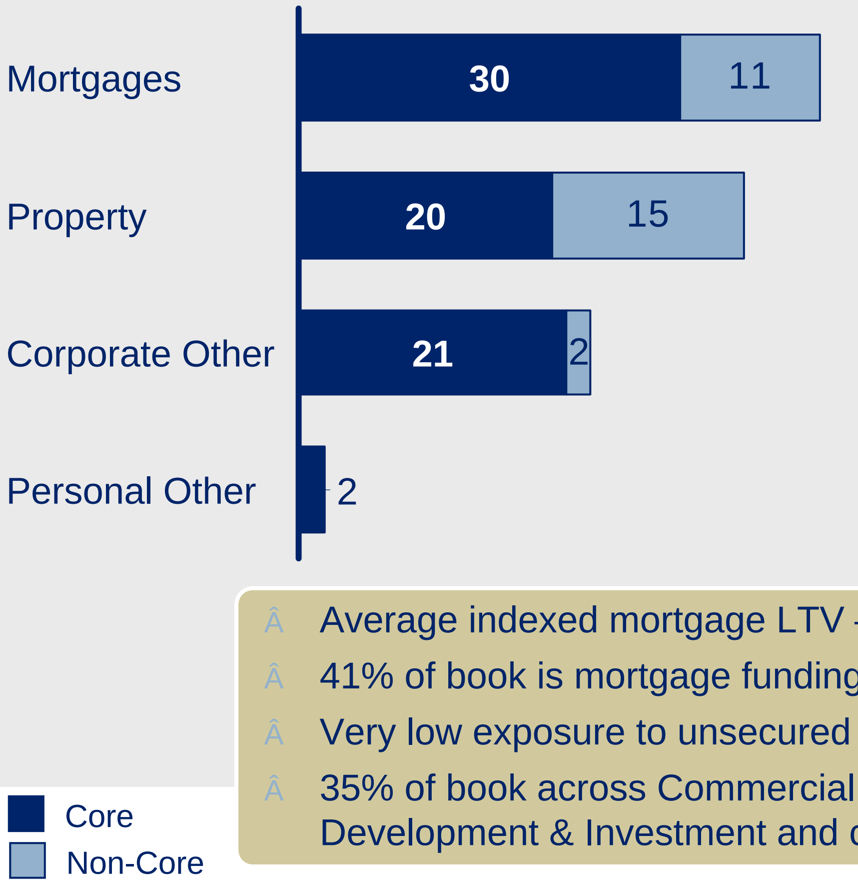
- APS
- Non-Core
- Risk, Cost Reduction Programme
- Financial Details
- Corporate Sectors
- UK Banking
- GBM
- US Retail & Commercial
- **Ulster Bank**

Ulster Bank – Sector Analysis

RBS

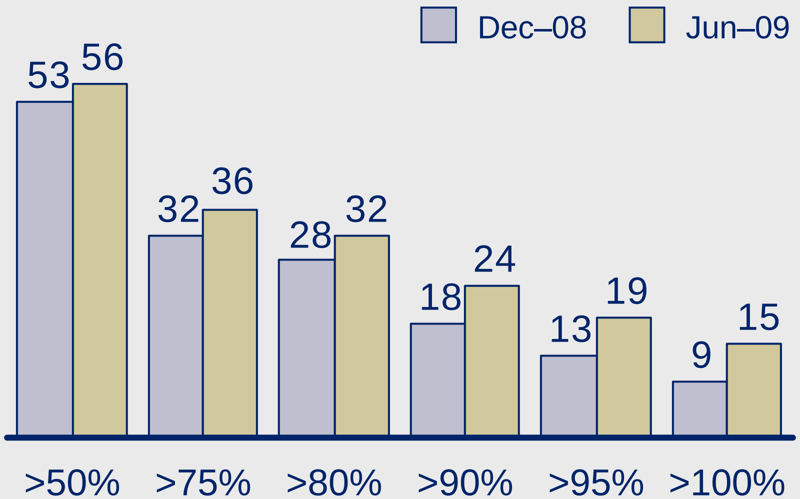
Total portfolio: £54bn; -10%*

Core: £38.9bn; Non-Core: £15.1bn



Ulster Bank mortgage portfolio

Cumulative indexed LTV distribution as % of book volume[1]:



- Average indexed mortgage LTV – 50%
- 41% of book is mortgage funding, secured by properties
- Very low exposure to unsecured consumer lending
- 35% of book across Commercial Development & Investment, Residential Development & Investment and contractors/building suppliers

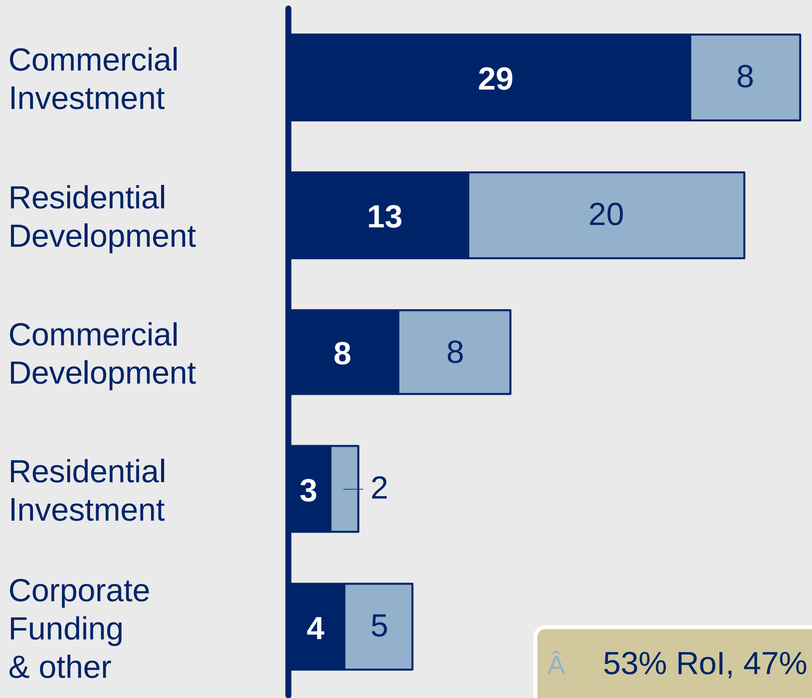
Note: LTV figure is defined as the total balances divided by total estimated value of property (indexed).

* Versus FY08

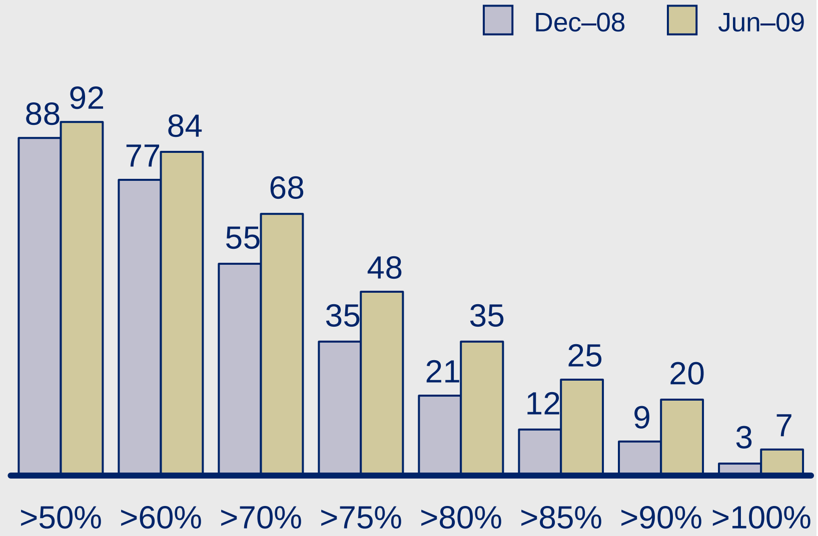
Ulster Bank – Commercial Property[1]

Total portfolio; £17.6bn; -6%*

Core; £10bn, Non-Core; £7.6bn



Cumulative LTV distribution as % of book value:



Â 53% RoI, 47% UK split

Â <2.35% speculative lending

Â Average LTV 92%, average ICR 141%

Core

Non-Core

1 Includes commercial property and residential property developers

Note: Prior period figure has been restated to reflect internal reclassifications of certain business lines

Basis of valuation – Cumulative LTVs most recent valuation, average LTVs based on internal view of asset values. Excludes contractors/building suppliers of £0.7bn

* Versus FY08


RBS