Consistent Progress

Philip Hampton, Chairman

24th February 2011

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Agenda for Today

Philip Hampton	■ Introduction
Stephen Hester	■ 2010 Highlights and Business Review
Bruce Van Saun	■ Finance & Risk Review

RBS

The Royal Bank of Scotland Group

2010 Highlights and Business Review

Stephen Hester, Group Chief Executive

Business Achievements 2010

RBS strategic plan re-affirmed and "on-track"

- All key Group metrics on or ahead of Plan for this stage
- Particular progress on Group reshaping, disposals and balance sheet reductions

Business performance improved

- Group operating profit of £1.9bn well ahead of plan (£6.1bn loss in 2009)[1]
- Break-even at net attributable level, pre APS charge (£3.6bn loss in 2009)

Core bank strategy progressing well

- Customer franchises strong
- Sharp improvement in Retail & Commercial keeps Core returns above cost of capital despite GBM normalising
- New management across Group businesses establishing positive track record
- Cost and investment programmes on-track to deliver

Non-Core and Risk reduction ahead of plan

- TPAs[2] reduced to £138bn from £258bn at start of 2009
- Liquidity, funding and leverage ratios back "in the pack"

[1] Excluding Fair Value of Own Debt (FVoD).
[2] Third party assets excluding derivatives.

Financial Highlights 2010

RBS

Core Business:

Operating profit[1]	£7.4bn	Retail & Commercial divisions +66% y-o-y
Return on Equity[1,2]	13%, (R&C 10%, GBM 16.6%)	Stable performance, good underlying progress in R&C
R&C NIM	3.14%, (+25bps y-o-y)	Asset re-pricing has outweighed higher funding and liquidity costs
Cost : income ratio[1,3]	56% (+300bps y-o-y)	Costs down 4% y-o-y, investment programme on track
Impairments	£3.8bn (-19% y-o-y)	Underlying trend still improving
Loan : deposit ratio[5]	96%	2013 strategic target achieved early

Group Progress:

Attributable profit[4] ex APS	Break-even	Core £5.4bn, Non-Core (£3.9bn), Other (£1.5bn)
Funded assets[6]	£1,026bn, (-£58bn vs FY09)	Reflects disposals and Non-Core run down
Non-Core run-down	£63bn reduction in TPAs[6]	On track to be <10% of Group funded assets[6] by FY11
Capital strength	Core Tier 1 of 10.7%	Group is well capitalised

[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] Attributable loss of £1,125m less net APS cost of £1,116m.
[5] Net of provisions.
[6] Third party assets excluding derivatives.

Strategy

Clear Vision and Targets

To be amongst the world's most admired, valuable and stable **universal banks**, powered by **market-leading businesses** in **large customer-driven markets**

To target **15%+ sustainable RoE,** from a **stable AA category** risk profile and balance sheet

Well balanced business mix to produce an attractive blend of **profitability** and moderate but **sustainable growth** – **anchored in the UK and in retail and commercial banking** with **strong customer driven wholesale banking. Credible presence and growth prospects geographically and by business line**

Management hallmarks to include an open, **investor-friendly** approach**, strategic discipline** and proven **execution effectiveness**, **strong risk management** and a central **focus on the customer**

Tracking Well to Plan Targets

Group – Key performance indicators	Worst point	FY 10 Actual	2013 Target
Loan : deposit ratio (net of provisions)	154%[1]	117%	c100%
Short-term wholesale funding[2]	£343bn[3]	£157bn	<£150bn
Liquidity reserves[4]	£90bn[3]	£155bn	c£150bn
Leverage ratio[5]	28.7x[6]	16.9x	<20x
Core Tier 1 Capital	4%[7]	10.7%	>8%
Return on Equity (RoE)	(31%)[8]	Core 13%[9,10]	Core >15%
Cost : income ratio[12]	97%[11]	Core 56%[10]	Core <50%

Divisions – Key performance indicators	Worst point	FY 10 Actual	2013 Target
Retail & Commercial:			
RoE	7%[13]	10%	>20%
Cost : income ratio[12]	60%[13]	56%	c45%
Loan : deposit ratio[14]	99%[3]	86%	<90%
GBM:			
RoE	(9%)[3]	16.6%	>15%
Cost : income ratio[12]	169%[3]	56%	c.55%
Non-Core:			
Third Party Assets	£258bn	£138bn	£20-40bn

[1] As at October 2008 [2]Amount of unsecured wholesale funding under 1 year. [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.

Core RBS Performance

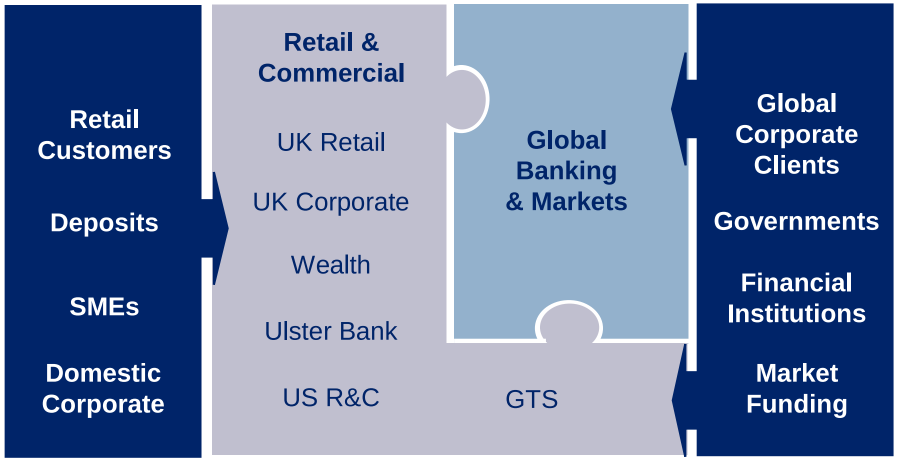
Core Performance

- Core RBS produced solid FY10 performance, increasingly well balanced
- Retail & Commercial businesses up strongly despite losses in Ireland
- GBM revenues “normalised” in weaker markets
- Good cost re-engineering, Retail & Commercial C:I ratio improved 430bps y-o-y
- Good deposit growth delivers Core LDR of 96%, 800bps improvement
- On-going actions to underpin cyclical recovery
  - New management teams gaining traction
  - Investment programme
  - Customer targeting and service initiatives
  - Improved risk disciplines throughout

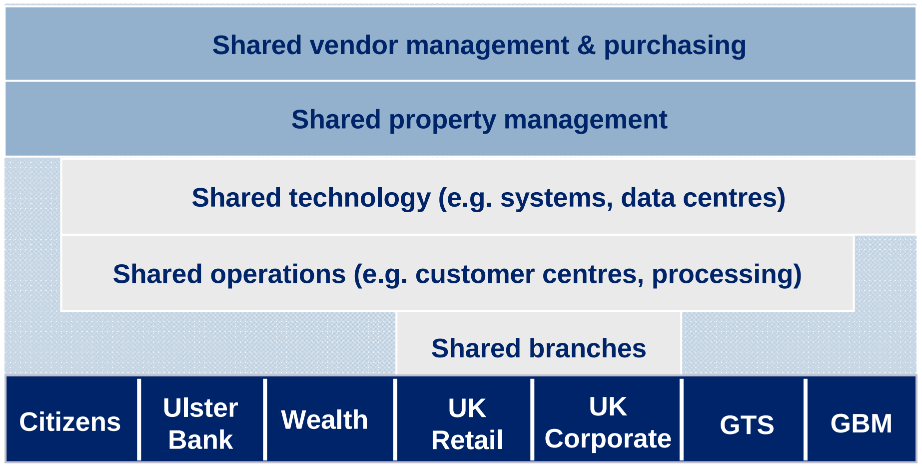
Core RBS

RBS

A complementary group of businesses….

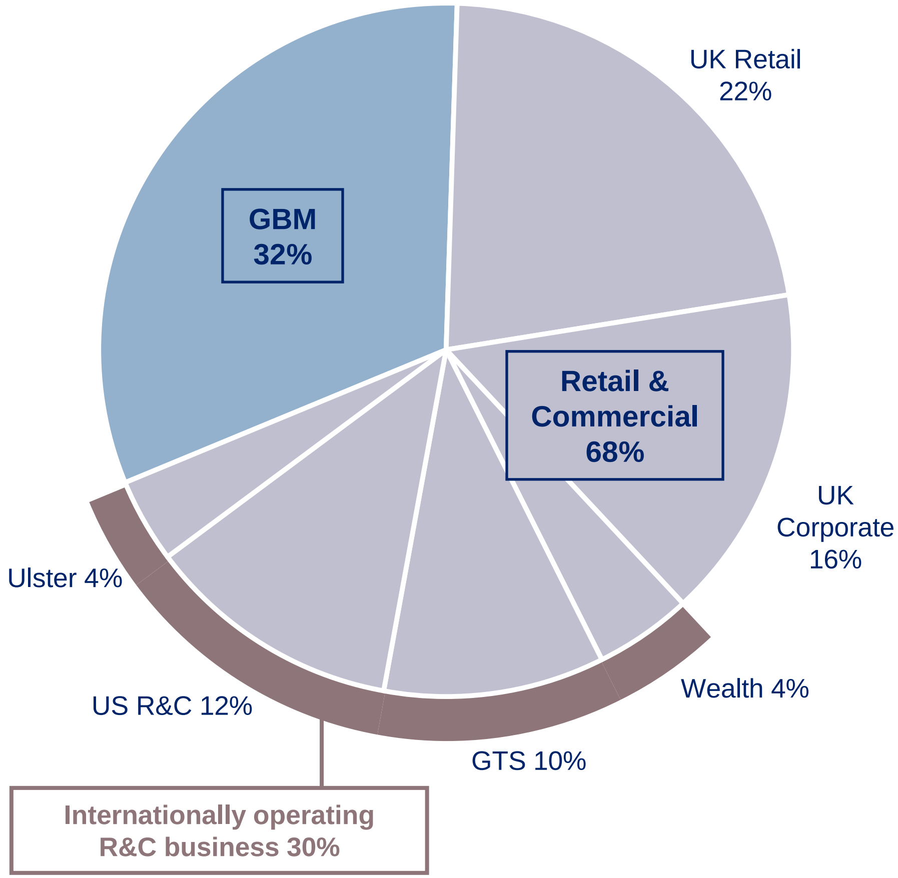


… with shared infrastructure…



… well balanced by business mix and geography

FY10 Core revenues[1] by Division



[1] Excluding Fair Value of Own Debt (FVoD), excluding RBS Insurance.

Customer Metrics

RBS

Division	Market position	Customer Numbers/satisfaction	FY10 deposits £bn	FY10 deposits Y-o-Y change	Comments
UK Retail	↗	↗	£96.1bn[1]	10%	Robust franchises, increasing customer satisfaction; strong deposit and mortgage performance
UK Corporate	→	↗	£100.0bn	14%	Leading customer satisfaction & market position Strong growth in deposits reflecting success in broadening of relationships
Wealth	→	→	£36.4bn	2%	Lending up 18% driven by strong mortgage growth (+20%) Coutts UK customer numbers up 1%. Good growth in Q4, deposits up 5%, AUM up 3%
GTS	→	→	£69.9bn	13%	Strong trade finance lending, up 58%, driven by increasing world trade flows Strong deposit increase driven by international cash management business
Ulster	→	↗	£23.1bn	5%	Resilient deposit performance Good growth in customer numbers, up 3%
US R&C	→	→	£58.7bn[2]	(2%)	Strong customer satisfaction, improving quality of relationships, average checking balances up 11%[3], improving product and customer mix
GBM	→	→			Continued focus on improving target client revenues and share of wallet. Maintaining top tier positions with FICC. Banking client relationships: #1 important relationships in UK, #3 Europe, #5 USA, #9 APAC
Insurance	↘	→			Rating / pricing action has reduced higher risk motor customer numbers, while high retention rates have been maintained for preferred risks. Growth in own brands home (2%), international (15%) and travel (64%)

[1] Excluding Bancassurance. [2] Excluding repos, US$ deposits FY10 $91.2bn (-6% y-o-y). [3] Total US Retail & Commercial including Commercial and SME checking balances.

Core Divisional Performance

RBS

	Return on Equity[1], %			Cost : income Ratio, %			Loan : deposit ratio, %		
	FY09	FY10	2013 Target	FY09	FY10	2013 Target	FY09	FY10	2013 Target
UK Retail	3	18	>15	60	52	c.50	115	110	<105
UK Corporate	9	12	>15	43	43	<35	126	110	<130
Wealth	30	19	ns	59	70	<50	38	44	<30
GTS	42	43	ns	59	57	<50	21	21	<20
Ulster Bank	(12)	(21)	>15	73	59	c.50	177	152	<150
US R&C	(1)	4	>15	78	72	<55	80	81	<90
GBM	30	16.6	>15	42	56	c.55	nm	nm	nm

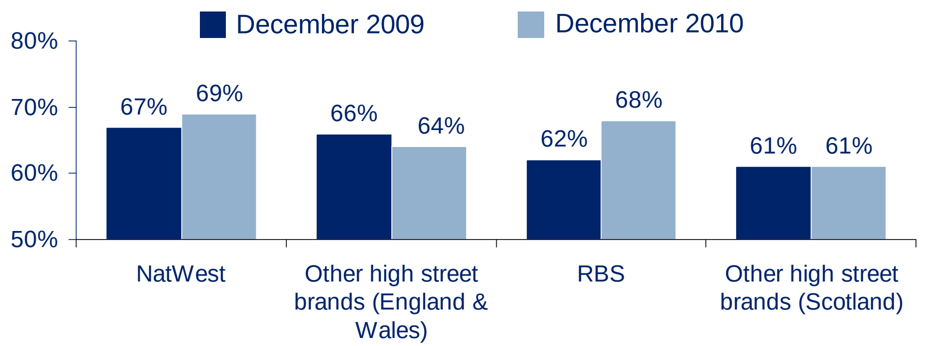
ns – none stated, nm – not meaningful

[1] Return on Equity is based on divisional operating profit after tax, divided by divisional notional equity based on 9% of divisional risk weighted assets (10% GBM), adjusted for capital deductions.

UK Retail

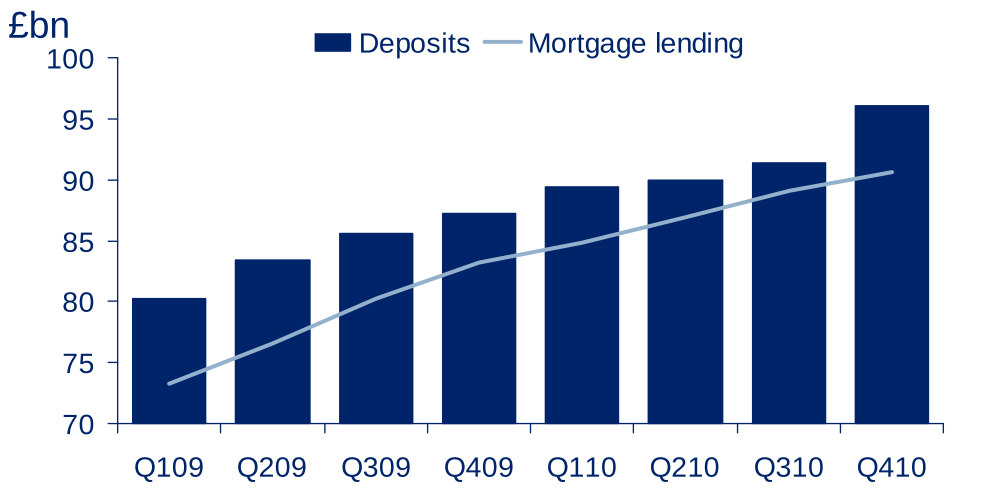
RBS

Customer initiatives strengthening franchise[1]



- Rated among the best for satisfaction
- Growing market shares in key target products

Balanced growth in deposits and mortgages



Enhancing the business

- Retail Transformation programme, c£800m investment
  - 45 of 65 planned projects mobilised
  - Driving efficiencies through leaner branches & HQ
  - Improvements in product-set
  - Driving decisions based on customer value
- Customer charter launch, related service improvements
- Re-engineering the online sales platform to support all channels
- Needs-based selling program designed to increase share of wallet

Re-establishing profitability - Improving jaws

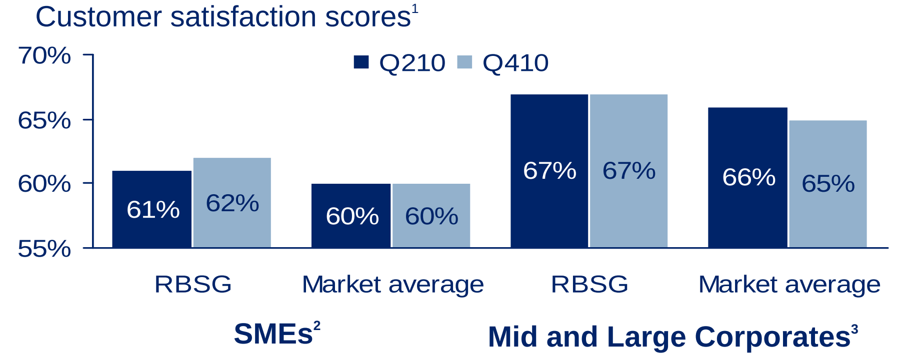
	Q-o-Q[2]	Y-o-Y[3]
Income growth	**5%**	**13%**
Cost growth	**(8%)**	**(4%)**
Pre impairment profit	**20%**	**35%**

- Margin rebuild helping to drive revenues
- Cost initiatives gaining traction

[1] Source GFK NOP FRS, 3 months ending December 2010; % of customers stating they are Extremely/Very satisfied with service on main current account, NatWest and other high street brands (England & Wales), RBS and other high street brands (Scotland). [2] Q410 versus Q310. [3] Q410 versus Q409.

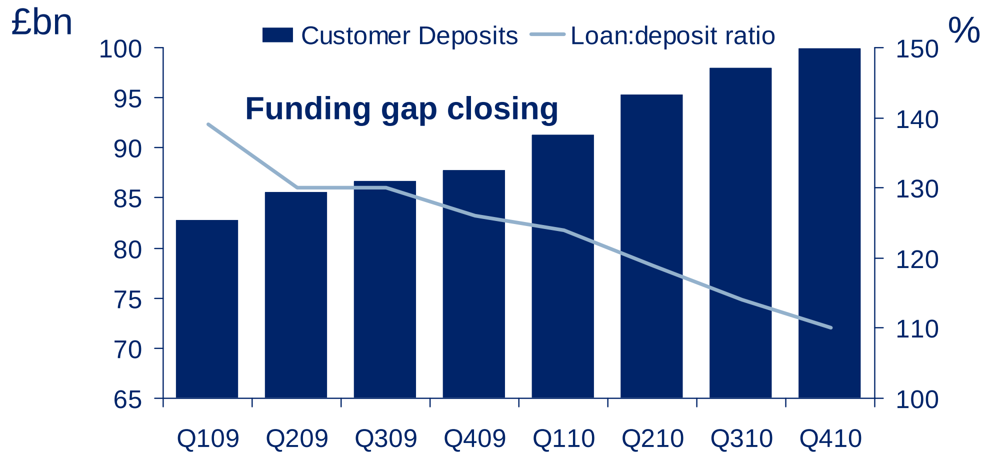
UK Corporate

Leading customer franchise



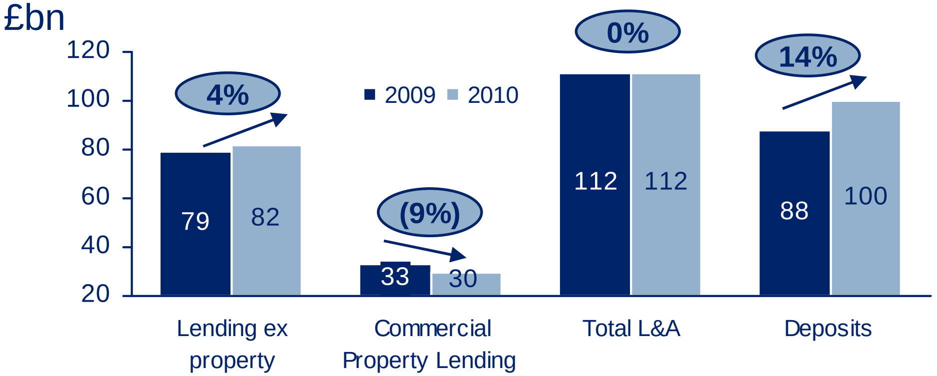
- Leading franchise in scale and customer satisfaction
- Good momentum in net promoter scores
- Major SME "retooling" strategy underway

Closing funding gap – balancing loans with deposit growth



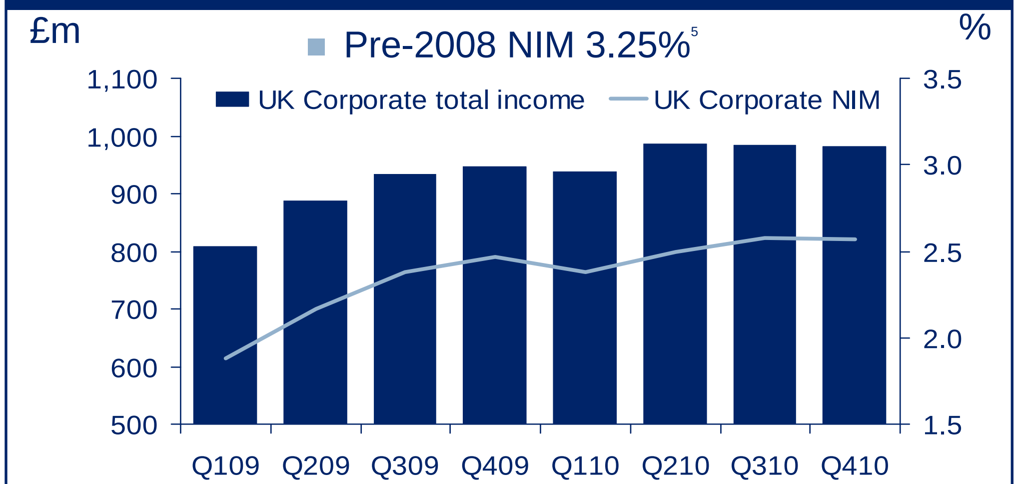
- Strong momentum in drive to sustainable model

Supporting customers while building a more balanced business



- £55.3bn of gross lending facilities extended in 2010
- On target to reach gross lending target of £50bn[4]

Re-establishing profitability - Rebuilding margins



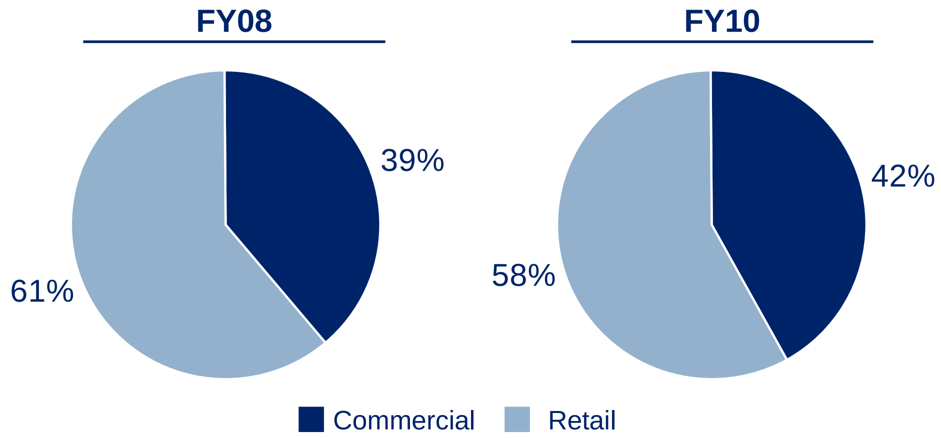
[1] Source: Charterhouse Research UK Business Banking Survey. [2] Clients with turnover of £0m-£25m.
[3] Clients with turnover of £25m+. [4] Applied for the period March 2010 to February 2011. [5] Peak NIM for Mid Corporate and Commercial Banking, 2005.

US Retail & Commercial

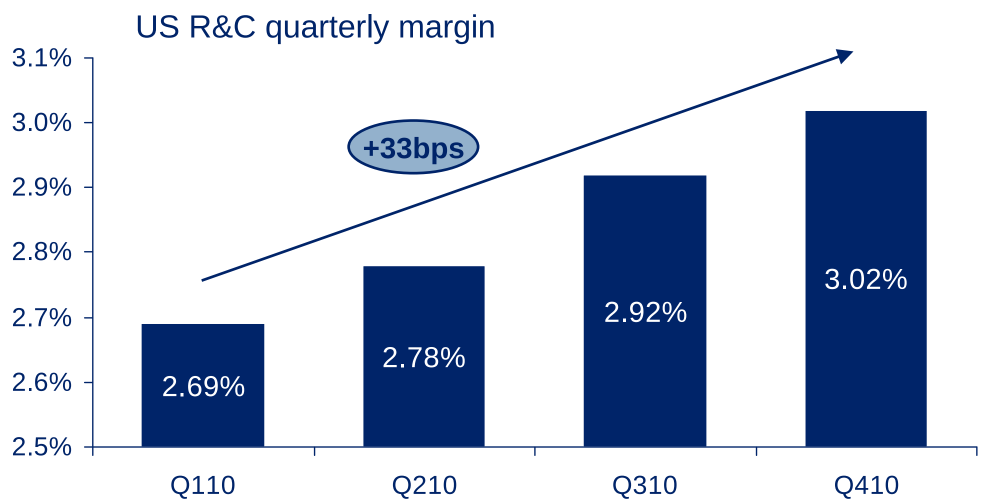
Robust customer metrics

- Customer satisfaction is high 74%[1], and above regional competition, 71%[1]
- Good consumer perception; 13%[1] of non-customers most likely to switch to Citizens
- Active online banking accounts up 4%[2]
- Consumer checking balances up 6%[2]
- Small business banking balances up 11%[2]

Rebalancing asset mix towards Commercial



NIM – rebuilding margins



Good jaws drive improved profitability

Y-o-Y	Q410[3]	FY10[2]
Income growth	**5%**	**7%**
Cost growth	**0%**	**(2%)**
PBIL growth	**22%**	**38%**

- FY10 US R&C returns to profit
- NIM continues to strengthen, NII up 7% y-o-y despite fall in total L&A
- $0.9bn investment across franchise during Plan period

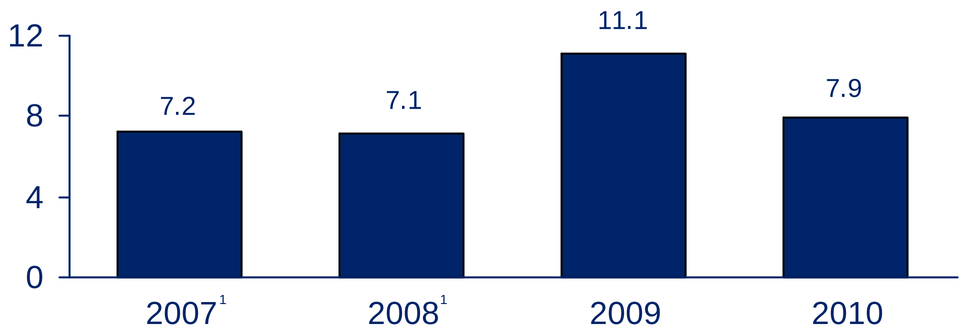
[1] Source: Kantum Research. Scores based on full footprint, competitors are an aggregate of regional competition. [2] FY10 vs. FY09. [3] Q410 vs Q409.

GBM

Revenues

- FY10 represented a more 'normalised' performance

GBM Core revenues[1] £bn



Business performance – revenues & rankings

- Top tier in key product areas

	FY10 Est. Ranking	FY10 Revenues £bn
Rates - Flow & MM	Top 5[2]	2.1
Currencies	Top 5[2,3]	0.9
Credit markets	Top 5[4]	2.2
PM & Origination	#6[5]	1.8
Equities	Top 10[2]	0.9

Strategic progress

GBM continues to evolve its proposition …

… while delivering required returns

Deepening client franchise & wallet share
Focus on improving target client revenues and share of wallet

Enhanced product capability
Increased penetration of e-Commerce platforms notably FX & Bonds

Cost discipline
Cost:Income ratio of 56% among lowest in peer group

Meeting targeted returns
Reported FY10 RoE 16.6%, well placed relative to peers

A resilient franchise

- Resilient performance in weaker markets
- FY10 RoE > CoE
- Solid base to rebuild target returns post regulatory change via:
  - Management actions, income & cost
  - Business adjustments to mitigate regulatory impacts
  - Technology investment for offence and defence
- Portion of GTS tied to GBM raises 2010 RoE to 17.4%

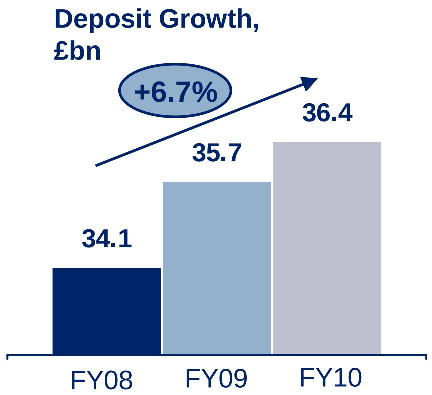
[1] Underlying revenues also excluding fair value of own debt (FVoD) and Sempra. [2] Coalition (Equities ranking based RBS regional product offerings). [3] EuroMoney. [4] RBS Estimate.
[5] Dealogic (EMEA all debt).

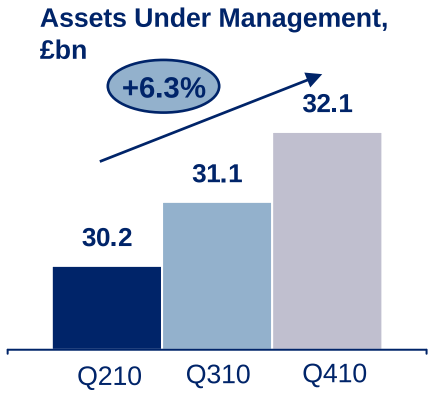
GTS and Wealth

Wealth - Significant opportunity

- High return potential with world class brand
- Management change: new CEO (Rory Tapner), Strategic Review underway
- Strength in UK, established International platform with growth potential
- Strong deposit growth reflecting success both in the UK and offshore markets

Growing customer commitments

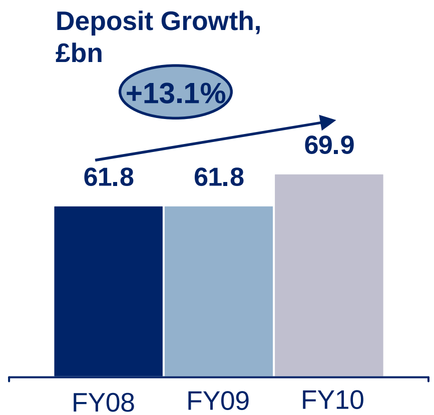


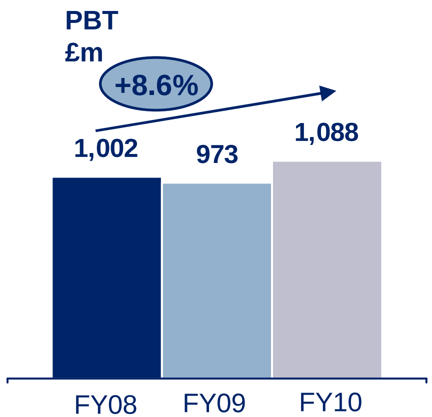


GTS - International reach

- Stable good returns through-the-cycle
- Product channel and infrastructure improvements; optimising network footprint
- Revenue diversified across divisional clients; FY10 GBM revenues c£920m, UK Corporate c£750m, Citizens c£140m
- Deposit growth reflects gains in International Cash Management business

Higher deposits drives net-interest income

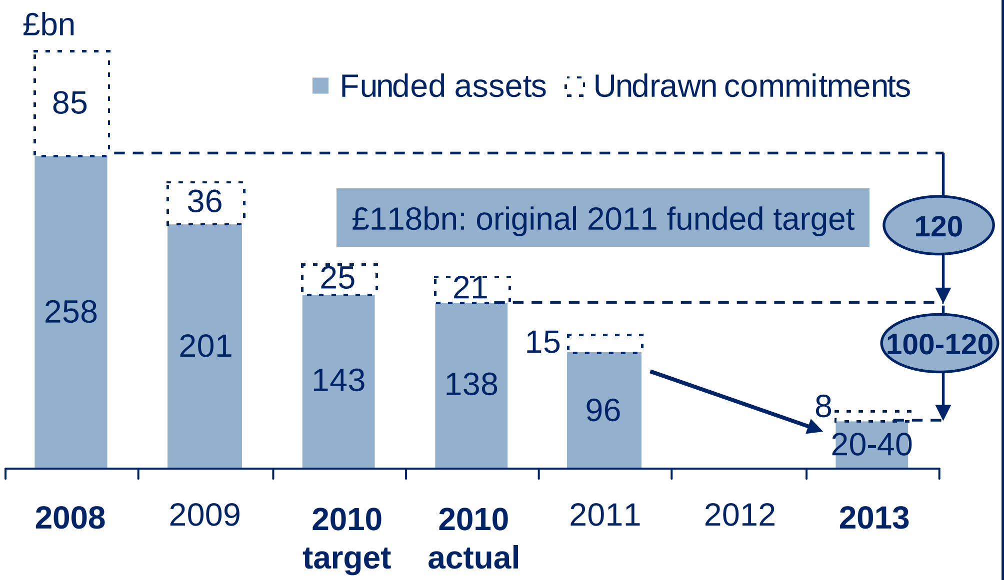


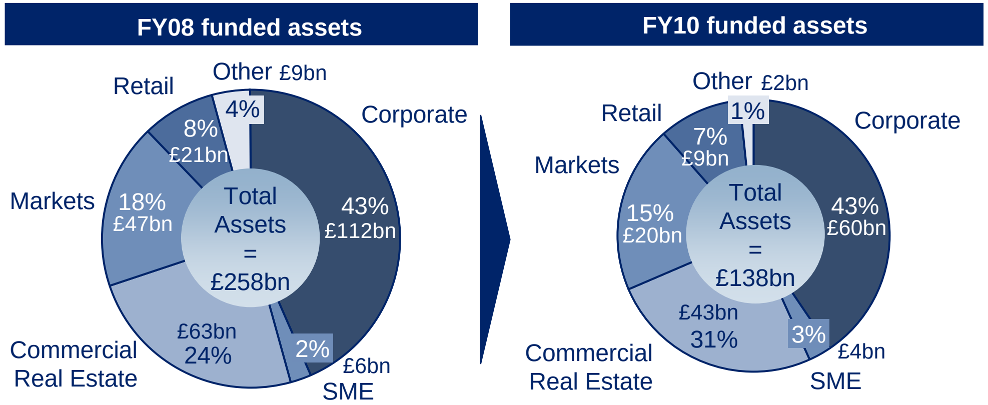


Non-Core and Risk

Non-Core and Disposals

Non-Core – Good progress made





Non-Core run down & EU disposals

Non-Core:

- Non-Core funded assets reduced by £120bn since inception
- FY11 TPA target improved 19% to £96bn
- On target to be <10% of Group funded assets by FY11

EU mandated disposals:

UK SME / branches

- Completion targeted by 31 March 2012
- Announced premium of £350m over net assets at closing

Global Merchant Services

- Completed in Q410
- Transaction premium £837m

RBS Sempra

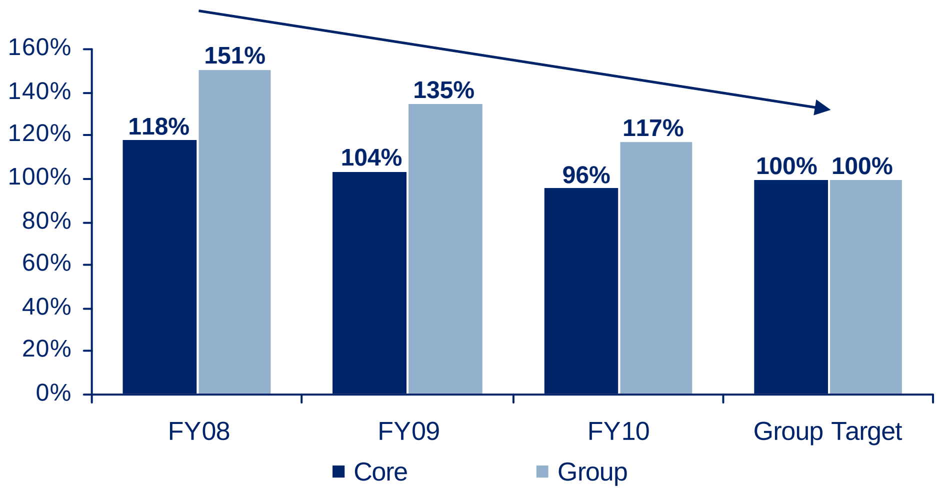
- Majority of business sold, residual disposal in progress
- Net neutral to P&L

Insurance

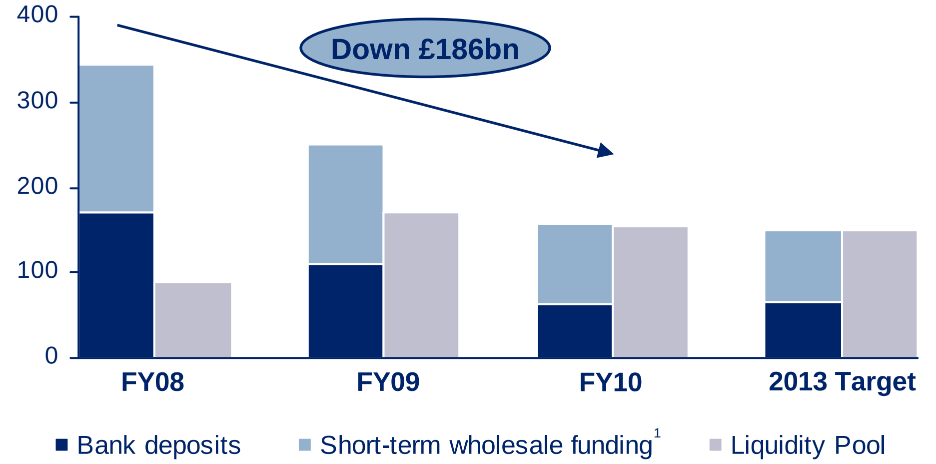
- H2 2012 current target for IPO/sale

Funding and Liquidity

Improving loan : deposit ratio



Consistent reduction in short term funding needs



Refinancing requirement outweighed by Non-Core target reduction

- £63bn reduction in Non-Core funded assets in 2010 significantly outweighed £13bn term funding maturity[2] during the year
- 2011-2013 average Non-Core run-down of c£35bn pa significantly higher than 2011-2013 average term funding maturity of £26bn pa

Key messages

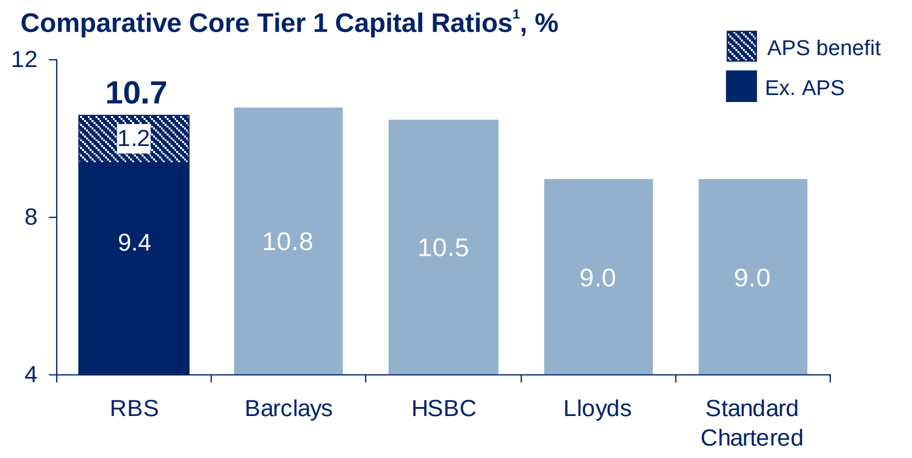
- Group loan : deposit ratio on target to reach c.100% by 2013, Core strategic target already met
- Short term wholesale funding[1] now 39% of total wholesale, down from 55% at FY08
- 2013 liquidity target of £150bn reached, includes £41bn AAA rated Government Bonds[3]
- Funding & liquidity metrics increasingly in the pack

[1] Amount of unsecured wholesale funding under 1 year excluding bank deposits. [2] Maturing term funding includes government guaranteed MTNs, unguaranteed MTNs and subordinated debt.
[3] Includes AAA rated US government guaranteed entities.

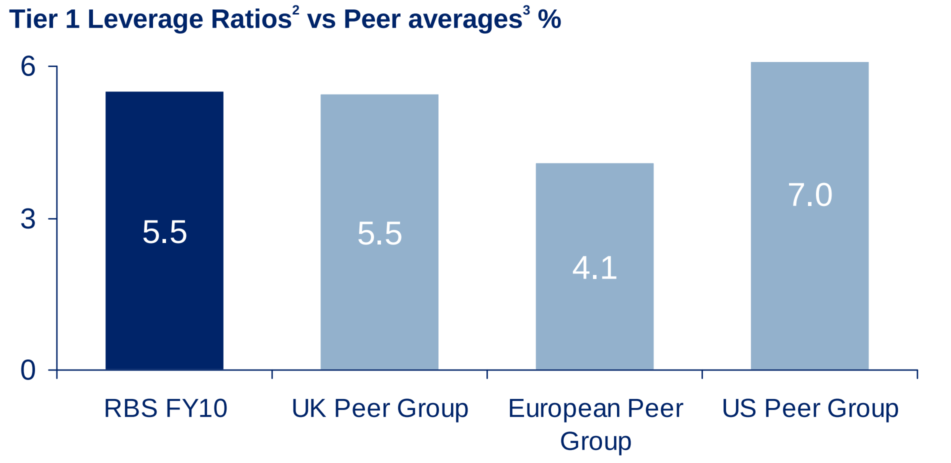
Capital Planning

RBS

RBS capital ratios strong with Non-Core reducing



The Group's leverage is in-line with conservative peers



However regulatory uncertainties remain

- Increased capital requirements per Basel, FSA
  - Market Risk changes implemented in 2011
  - Counterparty changes implemented in 2013
- Proposals relating to Countercyclical buffer and important Banks buffers still to be determined
- Continued regulatory conservatism around RWA measurement

Capital and balance sheet outlook

Need to sustain strong credit standing with counterparties and in markets

- Target to exit APS by late 2012
- Optimise capital structure in best interests of shareholders and creditors longer term as regulatory and market needs clarify

[1] As at FY10 for Barclays, Q310 for HSBC and H110 for LBG and Standard Chartered. [2] Tier 1 leverage ratio is Tier 1 Capital divided by funded tangible assets. [3] UK Peers consist of Barclays, HSBC, LBG and Standard Chartered; European Peers consist of Credit Suisse, Deutsche Bank, Santander, BNP Paribas and UBS; US Peers consist of Bank of America, Citigroup, JP Morgan and Wells Fargo.

Targets and Outlook

RBS Plan Targets

Top tier market franchises	Leading positions in all our customer businesses
	Strong, predictable and resilient business performance
Balanced portfolio	Complementary portfolio with clear cohesion logic and synergies
	Balanced by geography, growth, risk profile and business cycle
Solid profitability and attractive return potential	Targeting RoE 15%+ on a strong equity base
	Attractive and sustainable income characteristics
Low volatility underpinned by strong balance sheet	Clean balance sheet with a CT1 target >8%
	Criteria for standalone AA category rating met
Standalone strength and solid foundations	Proven management track record, positive disciplines well established
	Orderly UK Government stake sell down to be commenced
Investor friendly	Transparent responsive communication with few negative surprises
	Clearly articulated strategy with evidence of it working

Outlook

External uncertainties may take time to clarify	■ Economic & interest rate outlook ■ Irish & Real Estate impairments ■ Regulatory capital, liquidity & “bail-ins” ■ Independent Banking Commission ■ Path to full privatisation
Progress expected in Core profits and Non-Core risk reduction	■ Progress targeted per RBS Plan ■ Retail & Commercial continued improvement but slower in 2011 ■ GBM, market dependent ■ Non-Core, impairment path improving, losses on asset sales to continue ■ Continued progress on risk metrics

Finance and Risk Review

Bruce Van Saun, Chief Financial Officer

Group Financial Highlights

RBS

	FY10 £m	FY09 £m	FY10 vs FY09 %	Q410 £m	Q310 £m
Income	32,662	29,567	10%	7,459	7,917
Operating Expenses	**(16,710)**	**(17,401)**	**(4%)**	**(4,081)**	**(4,096)**
Claims	**(4,783)**	**(4,357)**	**10%**	**(1,182)**	**(1,142)**
Profit before Impairment Losses	11,169	7,809	43%	2,196	2,679
Impairment Losses	**(9,256)**	**(13,899)**	**(33%)**	**(2,141)**	**(1,953)**
Operating Profit/(Loss) ex. Fair value of own debt (FVoD)	1,913	(6,090)	–	55	726
Fair value of own debt (FVoD)	174	(142)	–	582	(858)
Operating profit	**2,087**	**(6,232)**	**–**	**637**	**(132)**
Other[1]	**(2,326)**	**4,304**	**–**	**(633)**	**(1,247)**
Profit/(Loss) Before Tax	(239)	(1,928)	–	4	(1,379)
Attributable Profit/(Loss)	(1,125)	(3,607)	–	12	(1,146)
Net interest margin	**2.01%**	**1.76%**	**25bps**	**2.04%**	**2.05%**
Adjusted cost:income ratio[2]	**60%**	**69%**	**(900bps)**	**65%**	**60%**

Capital & Balance Sheet	31 Dec 10	30 Sept 10	Change	31 Dec 09	Change
Funded balance sheet	**£1,026bn**	**£1,080bn**	**(5%)**	**£1,084bn**	**(5%)**
Risk-weighted assets (pre APS)	**£568bn**[3]	**£592bn**[3]	**(4%)**	**£566bn**[3]	**0%**
Core tier 1 ratio	**10.7%**	**10.2%**	**50bps**	**11.0%**	**(30bps)**
Net tangible equity per share	**51.1p**	**51.8p**	**(1%)**	**51.3p**	**(0%)**

¹ Includes restructuring & integration costs, APS CDS fair value of own debt (FVoD) changes, amortisation, bonus tax, gain on redemption of own debt, strategic disposals and gain on pensions curtailment. See slide 24. ² Calculated using income net of insurance claims and ex fair value of own debt (FVoD). ³ Excludes £106bn RWA relief of APS at FY10, £117bn at Q310 and £128bn at FY09.

Net Interest Income

RBS

Margin progression

	Q409	Q110	Q210	Q310	Q410	FY09	FY10	Y-o-Y
Reported Group NII, £m	3,446	3,534	3,684	3,404	3,578	13,567	14,200	*5%*
NII for NIM calculation, £m	3,340	3,447	3,567	3,459	3,365	13,283	13,838	*4%*
R&C NII, £m	2,576	2,559	2,731	2,803	2,818	9,874	10,911	*11%*
NIM:								
Group, %	1.83	1.92	2.03	2.05	2.04	1.76	2.01	*25bps*
R&C, %	3.04	2.97	3.11	3.23	3.24	2.89	3.14	*25bps*
GBM, %	0.89	1.11	1.01	1.14	0.94	1.38	1.05	*(33bps)*
Non-Core, %	1.17	1.25	1.22	1.05	1.10	0.69	1.16	*47bps*
AIEA[1] (£bn):								
Group	730.8	717.9	704.3	676.3	661.4	753.0	690.0	*(8%)*

- Absolute NII has improved vs. FY09, reflects rising NIM offsetting asset de-levering
- NIM expansion powered by asset re-pricing in R&C
- Earnings assets down 8% y-o-y given Non-Core run-down
- Q4 NIM stable, reflecting lower money market income in GBM (-2bps) and higher funding and liquidity costs (-2bps), balanced by recoveries in Non-Core (+2bps) and R&C growth (+1bp)

[1] Average Interest Earning Assets.

Non-Interest Income

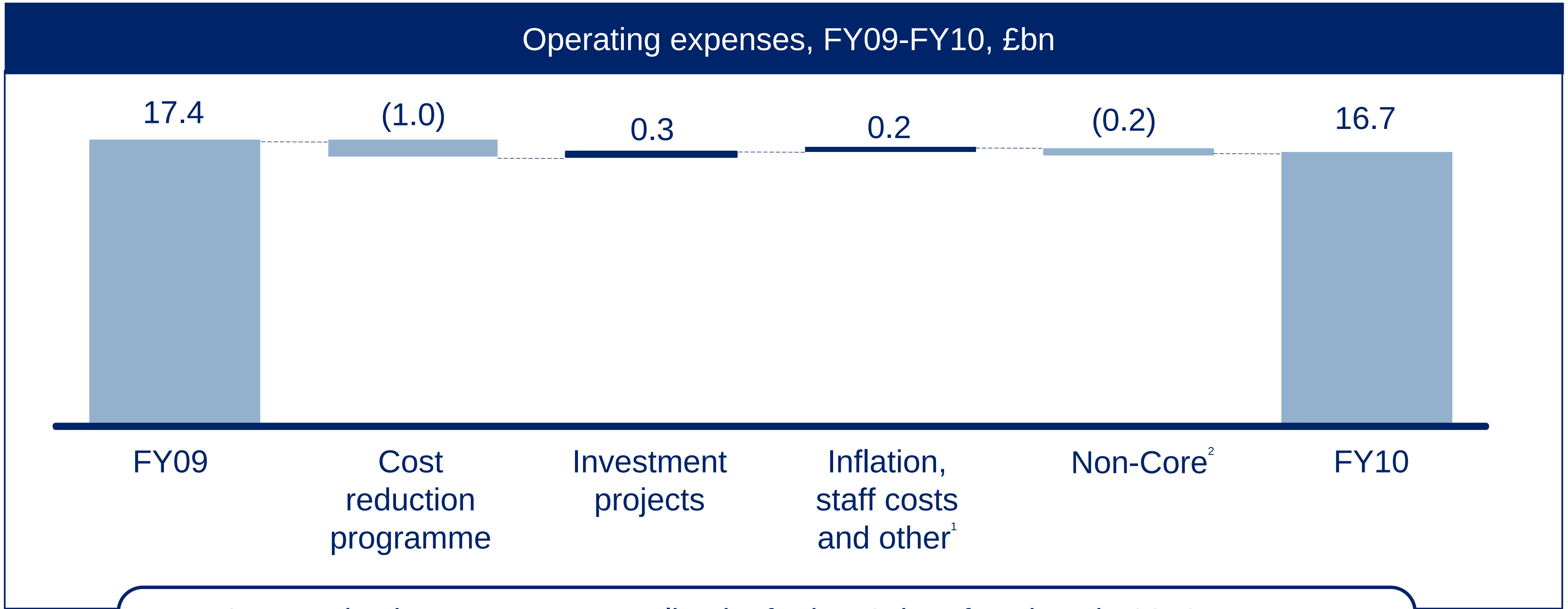
RBS

Non-interest Income Progression (ex fair value of own debt (FVoD))[1]	Q409 £m	Q110 £m	Q210 £m	Q310 £m	Q410 £m	FY10 £m	FY09 £m	Y-o-Y %
R&C[2]	**1,494**	**1,451**	**1,514**	**1,492**	**1,470**	**5,927**	**6,009**	(1%)
GBM	1,639	2,445	1,612	1,237	1,342	6,636	8,815	(25%)
Insurance	1,090	1,010	1,015	999	979	4,003	4,106	(3%)
Core[3]	**4,227**	**5,154**	**4,078**	**3,979**	**3,901**	**17,112**	**19,549**	(12%)
Non-Core[4]	(470)	366	339	450	(81)	1,074	(3,835)	n.m.
Total	**3,824**	**5,589**	**4,479**	**4,513**	**3,881**	**18,462**	**16,000**	15%

- Non interest income up 15% vs. FY09, although volatile in GBM and Non-Core
- R&C resilient while contending with regulatory changes to business model
- GBM FY09 performance exceptional
- Non-Core improvement reflects de-risking, better environment
  - Q4 net loss reflects write-downs, changes in derivative life assumptions, disposal losses

[1] Divisional non-interest income figures taken from divisional pages of company announcement.
[2] Net of Bancassurance claims.
[3] Includes other unallocated central items.
[4] Including operating lease income and funding.

Group Operating Expenses



- Cost Reduction Programme realised a further £1bn of savings in 2010
- Impact of investment program in 2010 is £0.3bn
- All other costs up only slightly as bonus reduction offsets inflation and other growth
- Non-Core lower expenses reflect asset run-off
- Cost : income ratio[3] improves to 60% (vs 69% FY09)

[1] Includes incentive payments, staff related inflation, non-staff inflation and volume.
[2] Includes country exits and GMS. [3] Calculated using income net of insurance claims and ex Fair Value of Own Debt (FVoD)

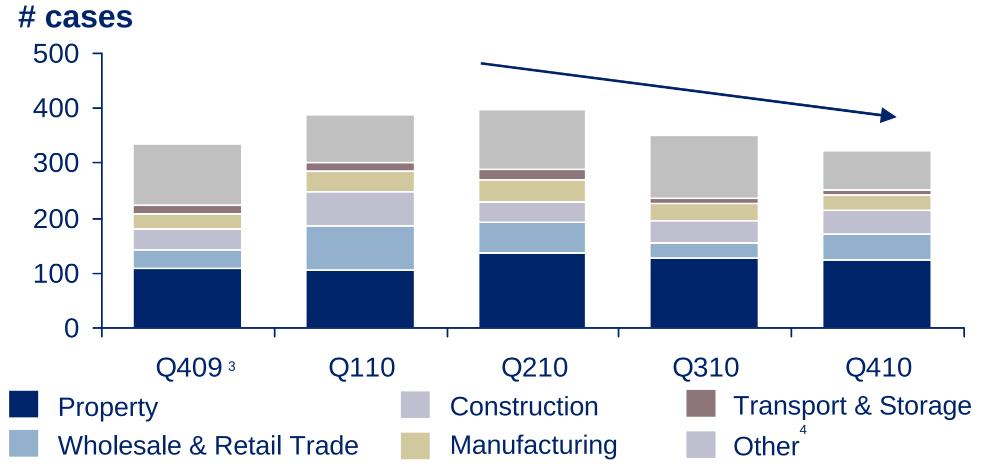
Group Impairments

Group Credit Trends

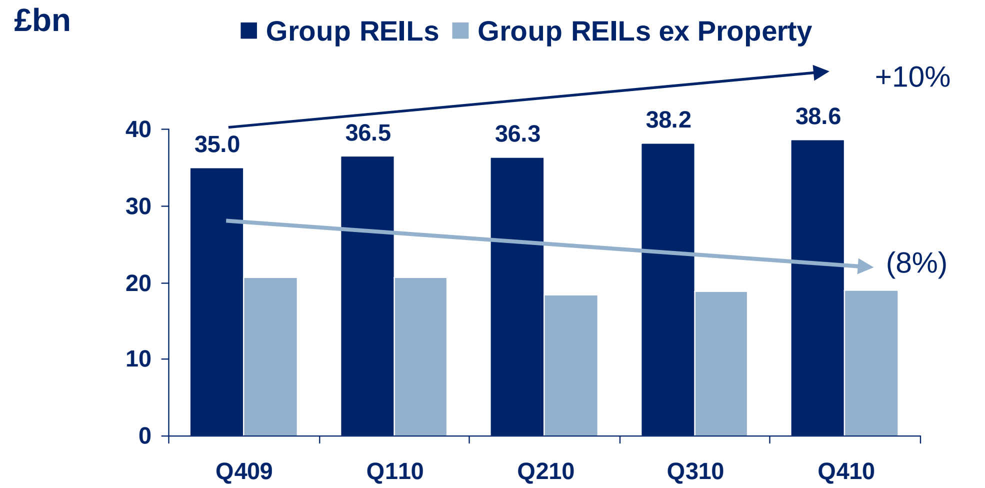
	FY09	Q310	Q410	FY10
Group Impairment charge, £m	13,899	1,953	2,141	9,256
o/w Core, £m	*4,678*	*782*	*930*	*3,780*
o/w Non-Core, £m	*9,221*	*1,171*	*1,211*	*5,476*
Group % of gross L&A	2.3%	1.4%	1.7%	1.8%
Core % of gross L&A	1.1%	0.7%	0.9%	0.9%
Non-core % of gross L&A	5.7%	3.9%	4.4%	4.9%
REILs, £bn	35.0	38.2	38.6	38.6
Group % of gross L&A[1]	6.2%	7.1%	7.5%	7.5%
Provision coverage[2]	43%	46%	47%	47%

- Q410 Ulster Bank[5] charge £1.2bn vs. £1.0 bn in Q3; £3.9bn FY10 vs. £2.0bn in FY09
- UK Corporate Q410 uptick reflects a few specific name cases
- REIL growth slowing; transfers to work-out slowing

No. of wholesale cases transferred to Recoveries Units globally



REIL Trends



1 REILs and PPLs as % of gross loans and advances.
2 Provisions as % of REILs.
3 Q409 excludes transfer to GRG reflecting revised management of Ulster Non-Core property portfolio.
4 Other is spread across a large number of sectors incl TMT, Tourism & Leisure and Business Services.
5 Ulster Bank Core and Non-Core combined including EMEA.

Below the Line Items

£m	FY10	FY09	*Chg £*	Q410	Q310	*Chg £*
Fair value of own debt (FVoD)	174	(142)	316	582	(858)	1,440
Amortisation of purchased intangible assets	(369)	(272)	(97)	(96)	(123)	27
Integration and restructuring costs	(1,032)	(1,286)	254	(299)	(311)	12
LME[1] gain	553	3,790	(3,237)	–	–	–
Strategic disposals (net)	171	132	39	502	27	475
Bonus tax	(99)	(208)	109	(15)	(15)	0
APS[2]	(1,550)	–	(1,550)	(725)	(825)	100
Gains on pensions curtailment	–	2,148	(2,148)	–	–	–
Net other ex fair value of own debt (FVoD)	**(2,326)**	**4,304**	**(6,630)**	**(633)**	**(1,247)**	**614**

- Fair value of own debt (FVoD) highly volatile quarterly, modest y-o-y impact
- Significant LME gain and pension curtailment recognition benefit in 2009
- APS cost recognition negatively impacts 2010 bottom line
- Note: full year high tax charge reflects adverse P&L mix, DTA non recognition totalling £730m

[1] Liability Management Exercise.
[2] APS credit default swap accounting.

Core Performance

RBS

	FY10 £m	FY 09 £m	FY10 vs. FY09 %	Q410 £m	Q310 £m
Net Interest Income	12,517	12,319	2%	3,220	3,050
Non Interest Income	17,112	19,549	(12%)	3,901	3,979
Income	**29,629**	**31,868**	**(7%)**	**7,121**	**7,029**
Operating Expenses	(14,385)	(14,954)	(4%)	(3,583)	(3,517)
Claims	(4,046)	(3,769)	7%	(937)	(998)
PBIL[1]	**11,198**	**13,145**	**(15%)**	**2,601**	**2,514**
Impairment Losses	(3,780)	(4,678)	(19%)	(930)	(782)
Operating Profit[2]	**7,418**	**8,467**	**(12%)**	**1,671**	**1,732**

- Solid performance in 2010, driven by Retail and Commercial
  - 2009 GBM exceptional performance flattered results
- Tight control over costs, down 4% y-o-y
- Impairment losses down 19% y-o-y, well distributed across businesses
- Q4 reflects stable PBIL, slight uptick in impairments, primarily Ulster

[1] Profit before Impairment Losses.
[2] Operating Profit ex fair value of own debt (FVoD).

Core by Division

UK Retail	FY10 £m	FY 09 £m	FY10 vs. FY09 %	Q410 £m	Q310 £m
Income	5,405	4,947	9%	1,455	1,382
PBIL	2,532	1,908	33%	780	649
Impairments	(1,160)	(1,679)	(31%)	(222)	(251)
Operating profit / (loss)	1,372	229	–	558	398
UK Corporate					
Income	3,895	3,582	9%	983	986
PBIL	2,224	2,052	8%	552	580
Impairments	(761)	(927)	(18%)	(219)	(158)
Operating profit / (loss)	1,463	1,125	30%	333	422
Wealth					
Income	1,056	1,109	(5%)	271	264
PBIL	322	453	(29%)	93	75
Impairments	(18)	(33)	(45%)	(6)	(1)
Operating profit / (loss)	304	420	(28%)	87	74
GTS					
Income	2,561	2,487	3%	638	668
PBIL	1,097	1,012	8%	270	312
Impairments	(9)	(39)	(77%)	(3)	(3)
Operating profit / (loss)	1,088	973	12%	267	309

UK Retail

- Strong operating profit growth
- Good income growth driven mainly by higher mortgage balances and improved margins
- Cost reduction initiatives continue to drive down costs and impairments continue downward trend

UK Corporate

- Good PBIL performance driven by continued re-pricing of assets
- Impairments uptick in Q410 driven by a few individual exposures
- Funding gap closed further due to strong deposit growth

Wealth

- Strong lending growth in FY10, up 18% driven by mortgage lending
- Deposits increased £1.6bn in Q410 on prior quarter
- New management in place

GTS

- Strong operating result driven by income growth and stable costs
- Deposits grew 13% mainly in International Cash Management
- GMS divestment completed according to plan

Core by Division

Ulster Bank	FY10 £m	FY 09 £m	FY10 vs. FY09 %	Q410 £m	Q310 £m
Income	975	1,034	(6%)	243	244
PBIL	400	281	42%	105	110
Impairments	(1,161)	(649)	79%	(376)	(286)
Operating profit / (loss)	(761)	(368)	107%	(271)	(176)
US R&C ($m)					
Income	4,553	4,264	7%	1,106	1,164
PBIL	1,272	925	38%	270	306
Impairments	(799)	(1,099)	(27%)	(168)	(193)
Operating profit / (loss)	473	(174)	–	102	113
GBM					
Income	7,912	11,058	(28%)	1,587	1,554
PBIL	3,515	6,398	(45%)	522	549
Impairments	(151)	(640)	(76%)	5	40
Operating profit / (loss)[1]	3,364	5,758	(42%)	527	589
Insurance					
Income	4,092	4,155	(2%)	997	1,016
Claims	(3,961)	(3,635)	9%	(906)	(949)
Operating profit / (loss)	(295)	58	–	(9)	(33)

Ulster Bank
- PBIL up y-o-y driven by cost reduction programme
- Impairment charge remains elevated, primarily from provision strengthening against the mortgage book
- Deposits remained stable in Q410

US R&C
- Good income growth in FY10, despite tough backdrop and impact of regulatory change in Q410
- NIM increase of 10bps in Q410
- Total loans stable as growth in commercial offsets muted personal demand in FY10

GBM
- Resilient revenue performance despite weaker market backdrop
- Impairments at low levels in 2010
- Balance sheet remains tightly managed

Insurance
- Franchise improvement continues in Q410
- Underlying[2] operating profit run-rate entering 2011 of £270-300m p.a.
- Bodily injury claims have stabilised but c.£100m higher charge in December due to bad weather

[1] Pre fair value of own debt (FVoD).
[2] Based on adjusted Q410 and FY10 performance.

Non-Core Performance

RBS

£m	FY10	FY 09	FY10 vs. FY09 £	Q410	Q310
Net Interest Income	1,959	1,534	425	419	438
Non-Interest Income	1,074	(3,835)	4,909	(81)	450
Total Income	**3,033**	**(2,301)**	**5,334**	**338**	**888**
Operating Expenses	(2,325)	(2,447)	122	(498)	(579)
Profit before other operating charges	**708**	**(4,748)**	**5,456**	**(160)**	**309**
Claims	(737)	(588)	(149)	(245)	(144)
Impairment Losses	(5,476)	(9,221)	3,745	(1,211)	(1,171)
Operating Profit/(Loss)	**(5,505)**	**(14,557)**	**9,052**	**(1,616)**	**(1,006)**
TPAs[1], £bn	138	201	(63)	138	154
RWAs[2], £bn	154	171	(17)	154	167

- Full year results reflect improved performance on trading book and lower impairments
  - Non-Interest Income includes £504m of losses on disposals for FY10
- TPA reduction ahead of schedule, £12bn pending
- Q4 higher loss reflects FV write-downs on Real Estate investments, changes in derivative life assumptions, losses on disposals and higher Ulster impairments

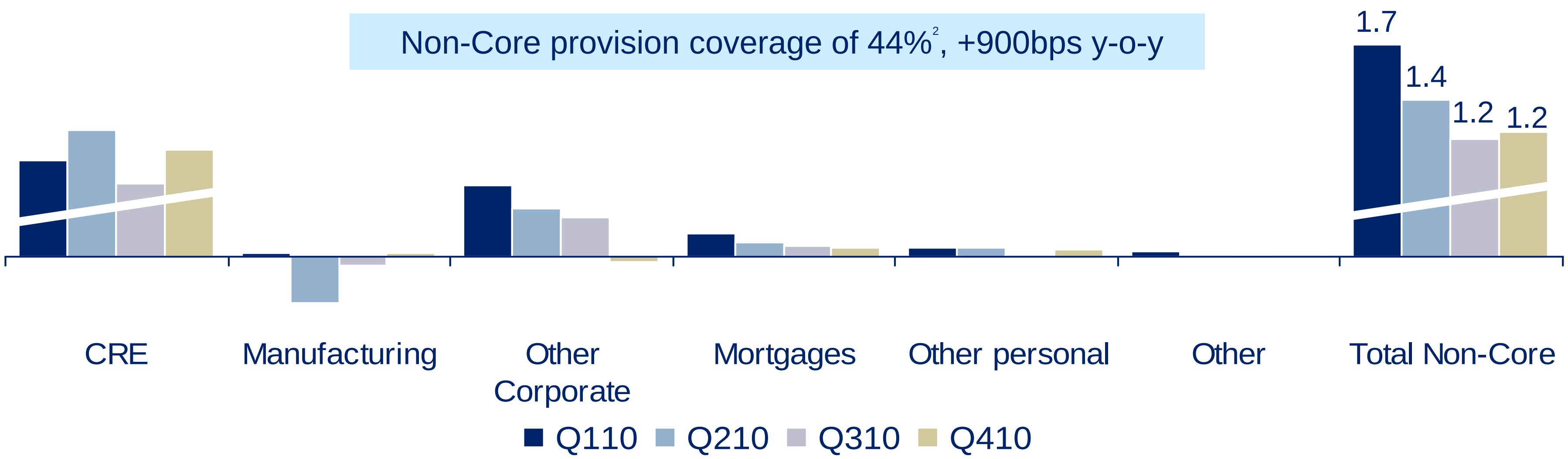
[1] Third party assets, excluding derivatives.
[2] Includes Sempra: 31 December 2010, RWAs £4.3bn.

Non-Core Impairments[1]

	FY10 £m	FY09 £m	Q110 £m	Q210 £m	Q310 £m	Q410 £m	Comments
CRE	4,307	3,296	1,050	1,224	921	1,113	Elevated impairments continue at Ulster
Manufacturing	(264)	1,492	24	(260)	(48)	20	Improving corporate health
Other Corporate	887	3,163	411	281	224	(30)	
Mortgages	328	547	137	80	60	51	Remain at moderate levels reflecting some improvements across portfolios
Other personal	165	421	51	49	17	48	
Other	53	302	31	16	(3)	9	
Total	**5,476**	**9,221**	**1,704**	**1,390**	**1,171**	**1,211**	Continued steady improvement despite Ulster

Non-Core impairments by asset type Q110 – Q410, £bn

Non-Core provision coverage of 44%[2], +900bps y-o-y

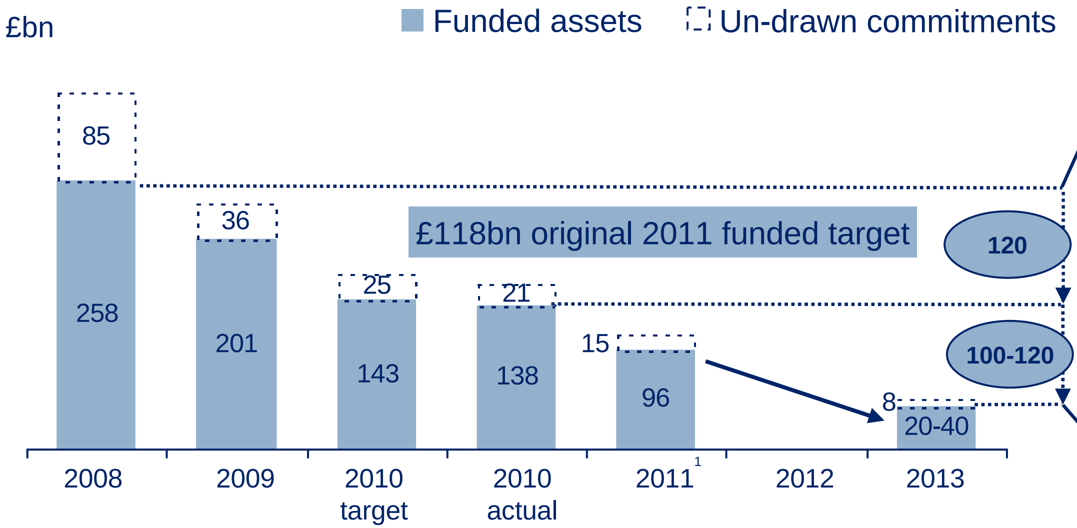


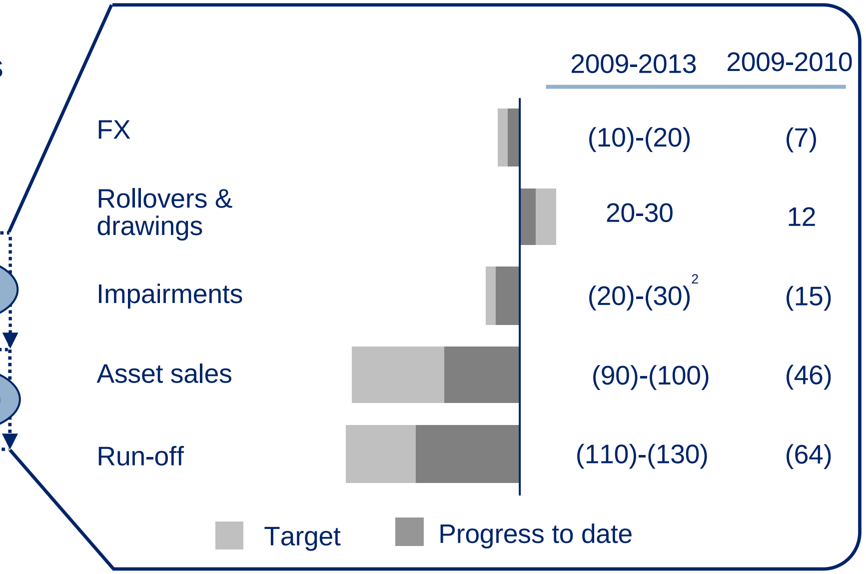
[1] Calculated on a product basis from the Company Announcement disclosure. [2] Provisions as a % of REILs.

Non-Core Ahead of Plan

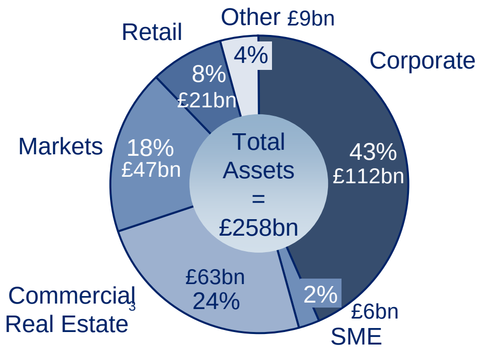
On track to be <10% of Group assets by FY11

Non-Core: Good Progress

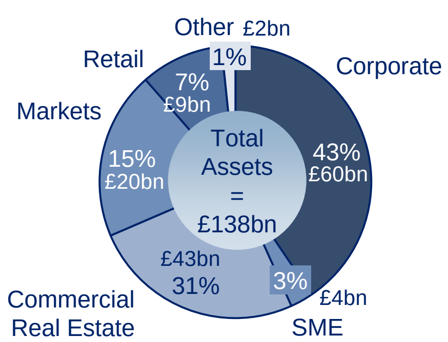




FY08 funded assets



FY10 funded assets

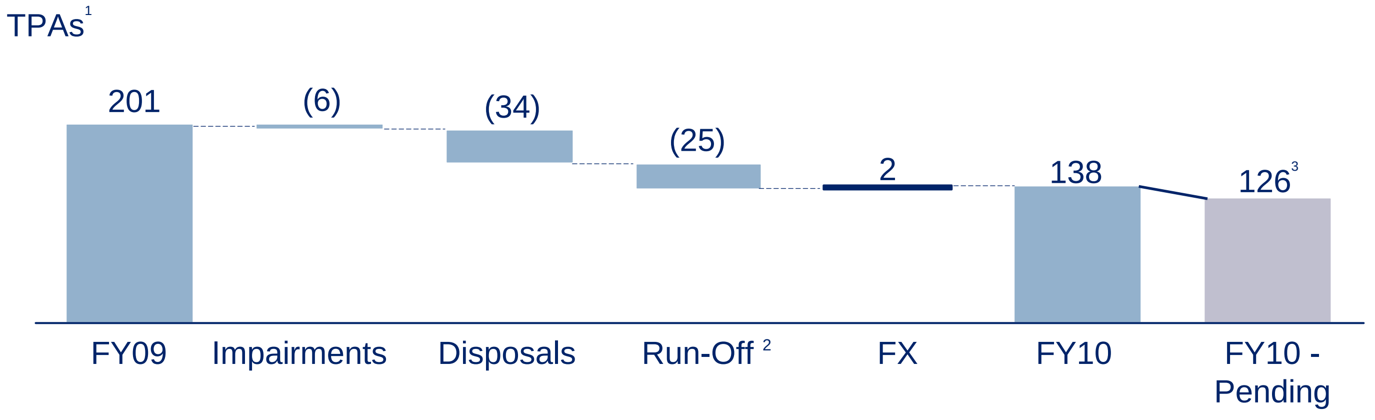


- Total portfolio down 47% from FY08 reflecting:
  - £52bn (46%) in Corporate
  - £27bn (57%) reduction in Markets
  - £20bn (32%)[4] reduction in CRE
  - £12bn (57%) reduction in Retail

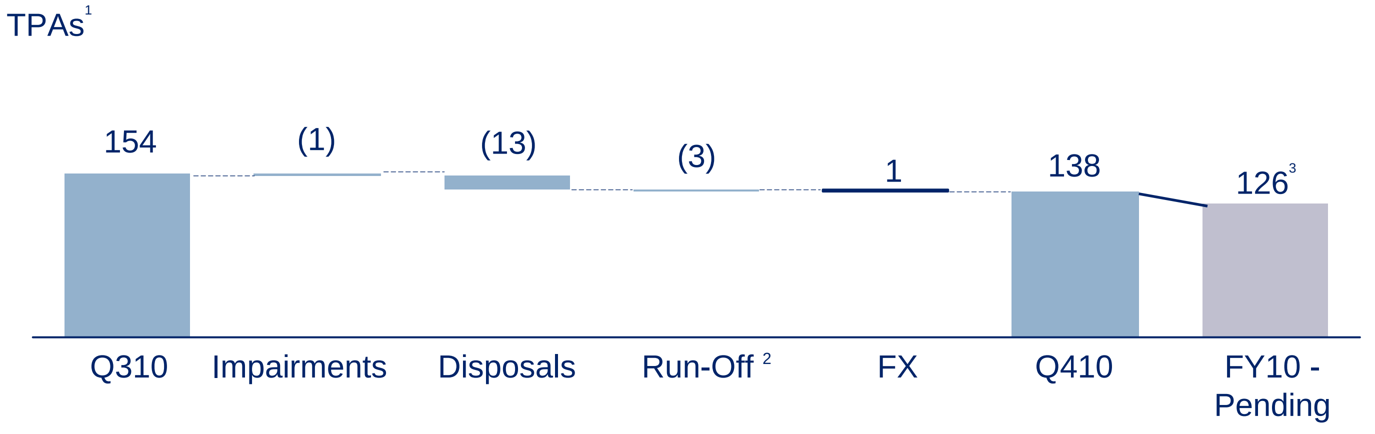
[1] Previous target for funded assets for 2011 was £118bn. [2] Excludes FY08 impairments of £4.9bn. [3] Excludes Ulster Bank CRE portfolio of £5.0bn (value as at 31/06/10), transferred to Non-Core on 1st July 2010. [4] 38% adjusted for transfer of Ulster Bank CRE portfolio.

Non-Core Run-Down 2010

Non-Core asset reduction 2010, £bn



Non-Core asset reduction Q410, £bn



FY10

- £63bn reduction in third party assets in FY10
- A further £12bn of sales signed but pending
- Disposals comprise £12bn of country and whole business exits, £22bn of assets
- Non-Core comprises 12% of Group TPAs[3,4] vs. Citi Holdings[4] at 19%
- Current 2011 YE target is £96bn TPAs, (<10% group TPAs)

Q410

- £16bn reduction in third party assets in Q410
- A further £12bn of sales signed but pending
- Disposals comprise £4bn of country and whole business exits and £9bn of assets
- Q4 P&L reflects costs associated with pending deals

[1] Third party assets excluding derivatives.
[2] Net of rollovers and drawings.
[3] Includes a further £12bn of signed but pending deals at FY10.
[4] Non-Core third party assets excluding derivatives and pending deals as % of total RBS Group funded assets. Citigroup Holdings as a % of Citigroup Inc. funded assets.

Risk, Funding & Capital

Funding and Liquidity

More resilient funding base, further termed-out funding

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

	FY09		Q310		FY10	
	£bn	%	£bn	%	£bn	%
Customer deposits[2]	414	51	421	55	429	58
Wholesale funding[4]	278	34	263	34	245	33
o/w wholesale <1 year	*139*	*50*	*101*	*38*	*95*	*39*
o/w wholesale >1year	*139*	*50*	*162*	*62*	*150*	*61*
Deposits by banks	116	14	80	11	66	9
o/w cash collateral[6]	*33*	*4*	*38*	*5*	*28*	*4*
o/w < 1 year to maturity[7]	*109*	*13*	*77*	*10*	*63*	*9*
Total	**808**	**100**	**764**	**100**	**740**	**100**
Memo: Total ST wholesale funding[10]	250		178		157	

Key Funding Metrics

	FY09	Q310	FY10
Loan:deposit ratio (Group)[3]	135%	126%	117%
Core	104%	101%	96%
Loan:deposit (gap) / surplus (Group)[5]	(£142bn)	(£107bn)	(£74bn)
Core (gap) / surplus (+)	(£16bn)	(£5bn)	+£17bn
Liquidity reserves	£171bn	£151bn	£155bn
o/w AAA rated govt. bonds[8]:	£30bn	£31bn	£41bn
Net Stable Funding Ratio[9]	89%	97%	101%
Wholesale funding > 1 year[4]	50%	62%	61%

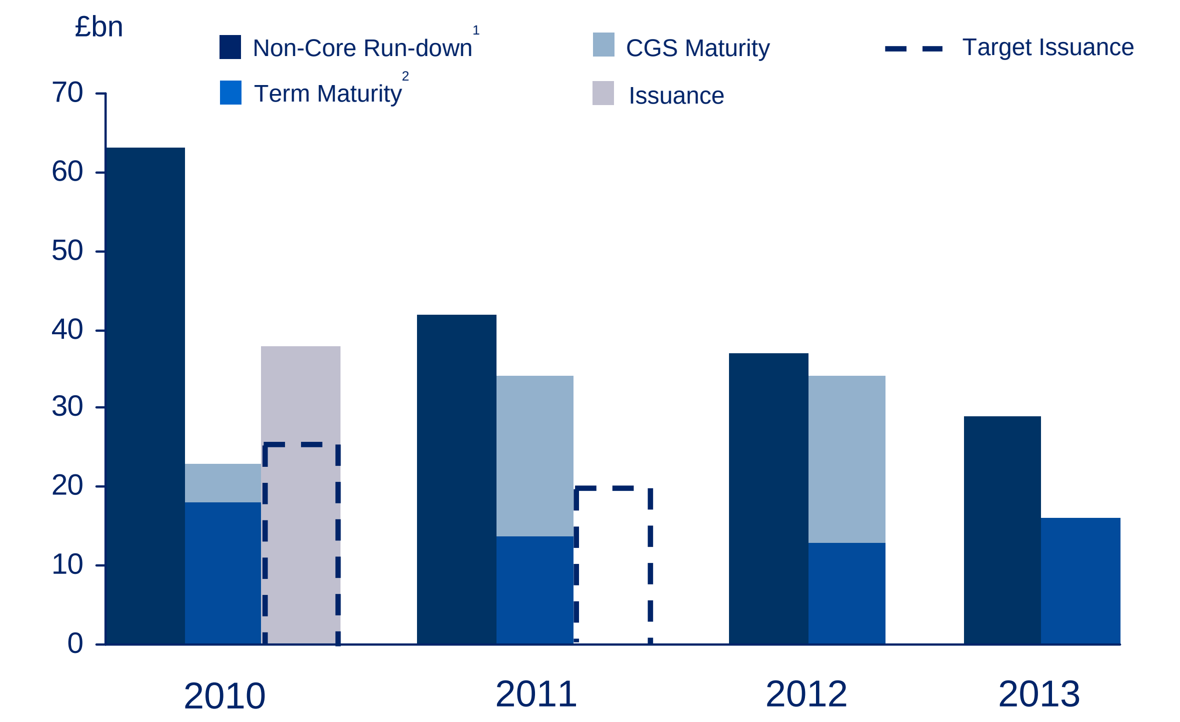
- 58% of total funding made up of customer deposits at FY10 versus 51% at FY09
- Funding from bank deposits[11] reduced by £45bn in FY10
- Liquidity reserves of £155bn, AAA Central Treasury government bonds £41bn[8]
- Wholesale funding[4] >1 year now 61% of total wholesale funding

[1] Funding profile excluding derivatives, repos and other liabilities. [2] Includes cash collateral of £9.9bn (FY09), £9.2bn (Q310) and £10.4bn (FY10). [3] Net of provisions. [4] Excludes bank deposits. [5] Net loans & advances to customers less customer deposits (excluding repos). [6] Cash collateral received from banks. [7] Includes cash collateral received from banks. [8] Includes AAA rated government guaranteed agencies. Also not that FSA eligible bonds as of FY10 were £35bn, the balance residing in RBS NV/Citizens. FSA eligible Q310 £31bn, FY09 £20bn. [9] Net stable funding ratio measures the level of net stable funding divided by long-term assets. [10] Wholesale funding < 1 year, plus bank deposits <1 year. [11] Excludes cash collateral received from banks

Funding - Issuance

Continued deleveraging through Non-Core run-down lessens refinance requirement

Asset reduction lessens market funding requirement

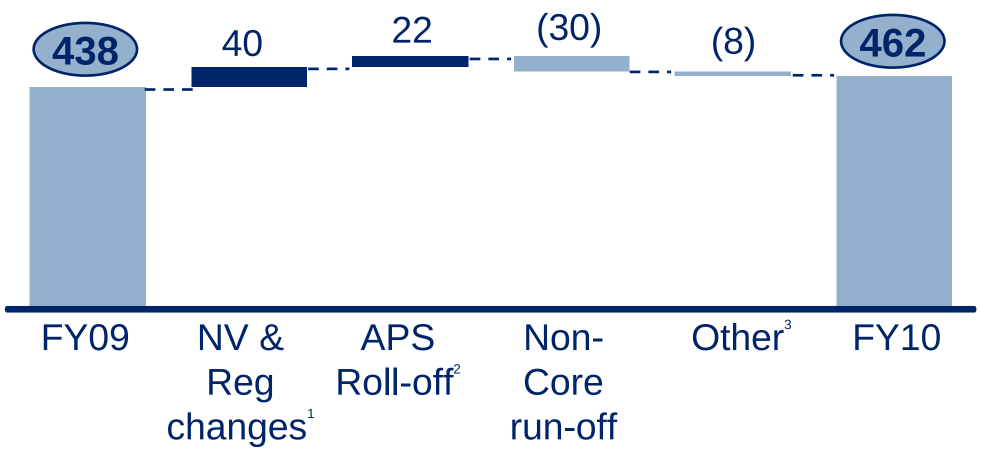


- 2011 plan c.£20bn of issuance
- Less requirement for public unsecured issuance going forward
- £38bn 2010 issuance:
  - 45% private, 55% public
  - 62% of public deals unsecured, 38% secured
- Strong private placement capabilities linked to structured and equity linked business within GBM
- CGS term funding outstanding of £41.5bn
  - Will be fully repaid by July 2012

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

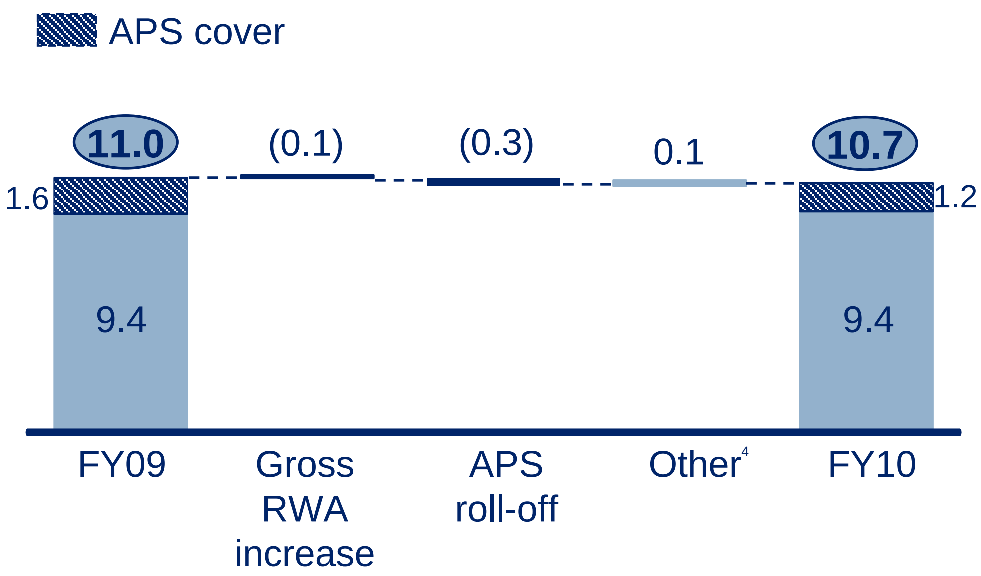
RWA & Capital Progression

RWAs £bn



- RBS NV move to Basel II impact £21bn
- Minimal pro-cyclicality impact in 2010
- Estimated CRD 3 impact £25-30bn end FY11

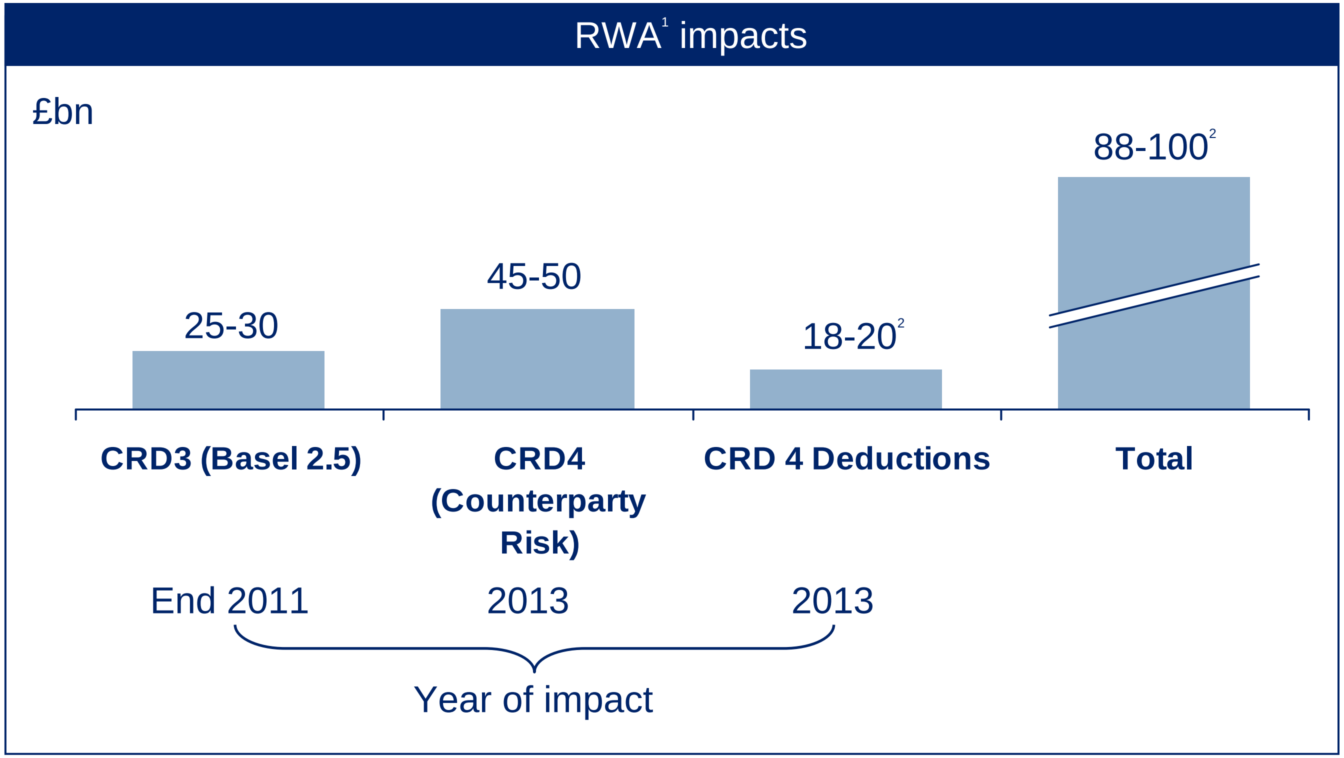
Core Tier One Ratio %



- APS covered asset run-down reduces RWAs but is offset by lower APS relief benefit
- Q4 10 CT1 increases from 10.2% to 10.7% primarily reflecting reduction in RWAs and disposals

[1] NV reflects move to Basel II; regulatory changes include methodology and modelling adjustments around event risk and large corporate model.
[2] Reflects portfolio run-down and removal of covered assets. Includes £10bn of RBS NV impact covered by APS.
[3] Includes lower business growth and defaults. When a loan moves to default it moves to a deduction rather than an RWA.
[4] Other includes gain on redemption of own debt, preference share conversion, attributable loss and FX.

Indicative RWA Impacts under Basel 3



- Clarification provided from Basel Committee
- Uncertainties remain, with a range of potential outcomes
- Updated impacts broadly in line with previous guidance
- Impacts split between Core and Non-Core
- Manageable within context of group

[1] Assessment based on current EU proposals. Net of Non-Core run-down, enhancements to internal models and mitigation.
[2] Net equivalent change in RWAs after reflecting the impact of the current capital deduction from Core Tier 1. Gross impact is forecast to be c£30-35bn.

APS Considerations

RBS

Benefits

- Provides RWA relief/CT1 benefit of 1.2% at FY10. Benefit expected to fall steadily as assets run-off
- Provides additional protection to RBS's regulatory capital ratios in the event of a severe downturn
- Form of contingent capital; sunk cost until 2012
- Provides comfort to rating agencies, equity and debt investors as Non-Core reduces

Considerations

- Exiting APS would signal RBS is recovering standalone strength
- Removal of significant annual cost once sunk cost amortised
- Operational processes would be simplified outside APS

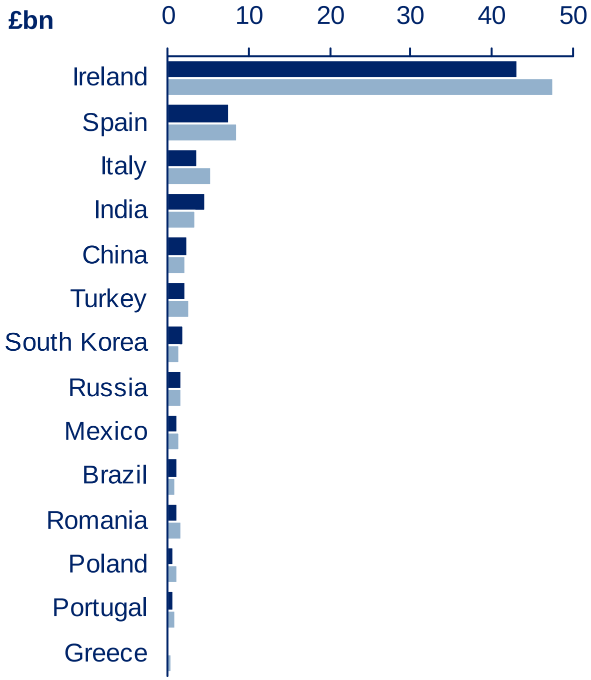
Base case is to remain in programme for period of minimum committed fee (until October 2012)

Reducing Risk

RBS

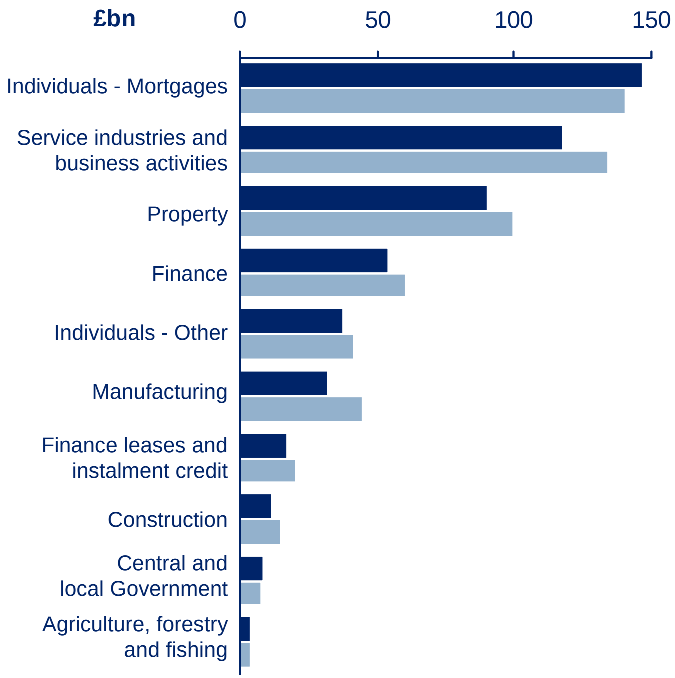
Country[1]

Top A+ and lower countries by lending



Sector[2]

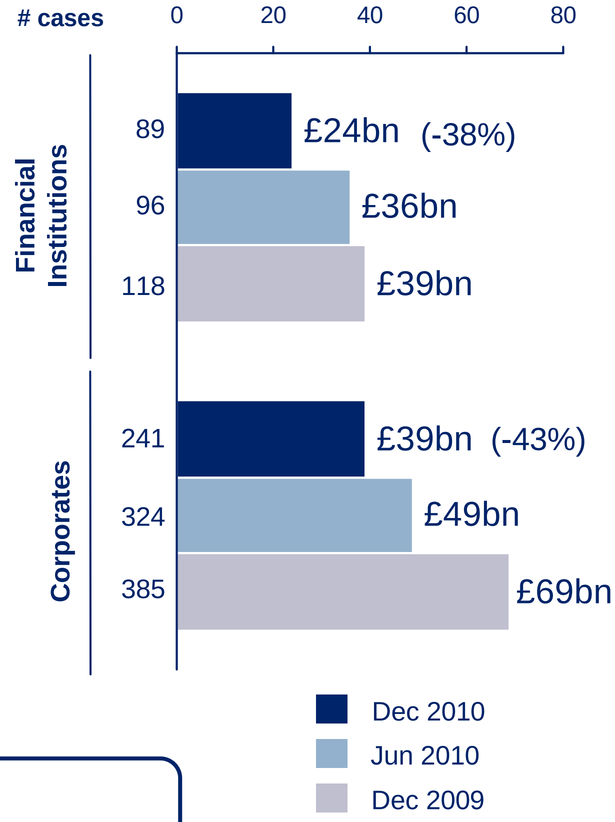
Top industry sectors by loans and advances



FY09 FY10

Single name concentrations[3]

Single name concentration exposures over risk appetite

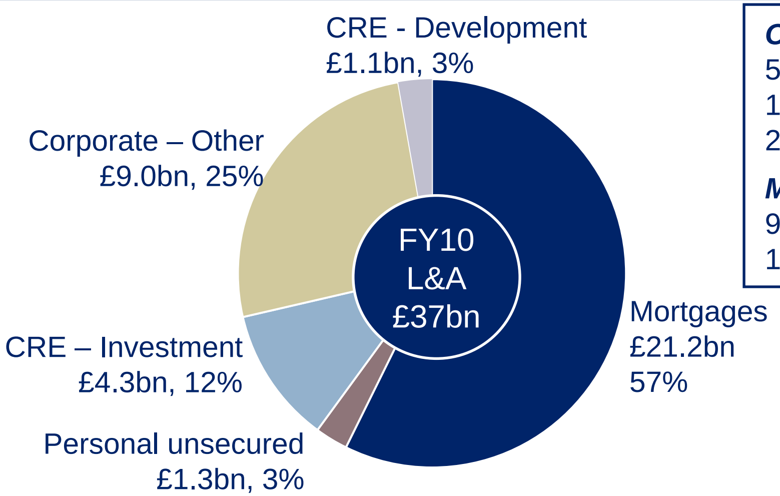


- Risk concentrations improved across the board
- Government bond portfolio concentrated in G10 countries (89% of total)
- Property lending down by £9.1bn (9%) in 2010

[1] Country chart is based on lending: cash and balances at central banks, L&A to banks and customers (including overdraft facilities, instalment credit and finance leases). [2] Loans and advances to customers 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 names that are in breach of the framework.

Update on Ireland – Asset Deep Dive

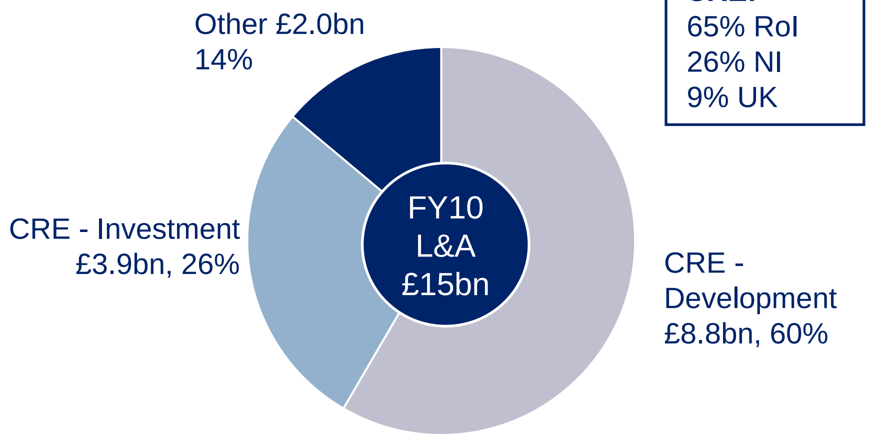
Ulster Bank – Core gross L&A, £37bn, (-7% y-o-y)



CRE:
59% RoI
18% NI
23% UK

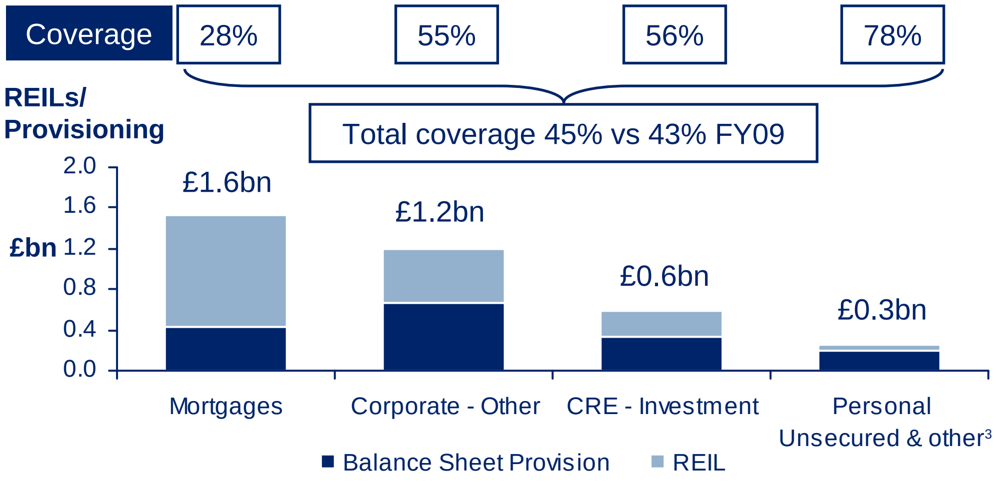
Mortgages:
90% RoI
10% NI

Ulster Bank – Non-Core gross L&A[1], £15bn, (-10% y-o-y)

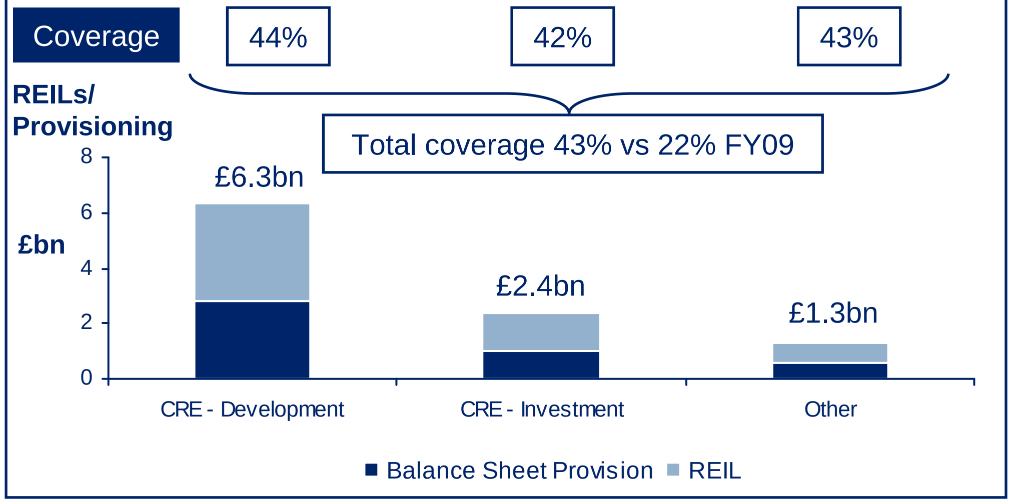


CRE:
65% RoI
26% NI
9% UK

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



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



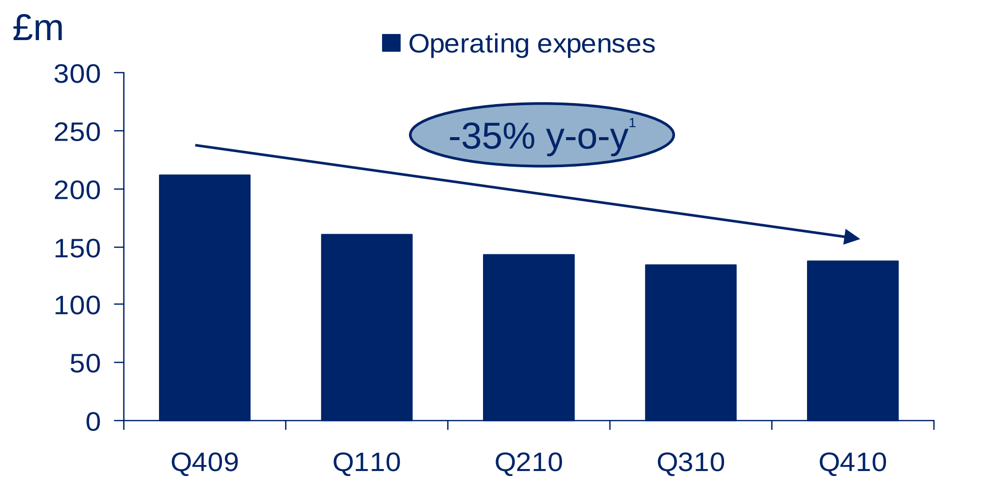
[1] Excludes EMEA L&A of £0.4bn. [2] Provisions as a % of REILs. [3] Includes CRE – development.

Update on Ireland – Operating Metrics

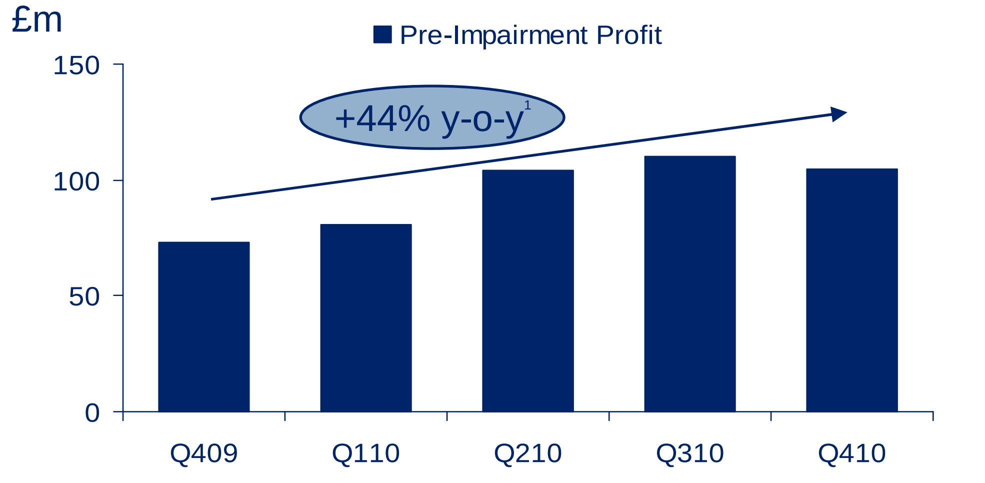
Key points

- Number three bank in Ireland; long history and established market presence
- Stable margin despite crisis, improvement on asset pricing
- Cost re-engineering delivering results, PBIL up 44% y-o-y
- Franchise intact, 5% increase in deposit base y-o-y
- Long-term outlook for Ireland remains favourable:
  - Positive demographics
  - Strong export markets
  - Favourable fiscal environment

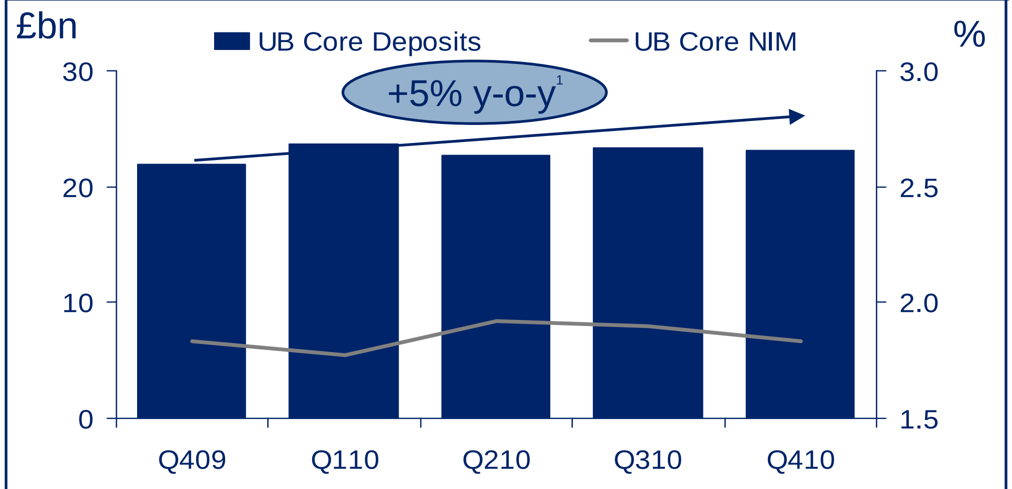
Cost re-engineering delivering results



Robust PBIL trends



A stable deposit franchise



[1] Q410 vs Q409

Update on Insurance Turnaround

RBS

Key highlights

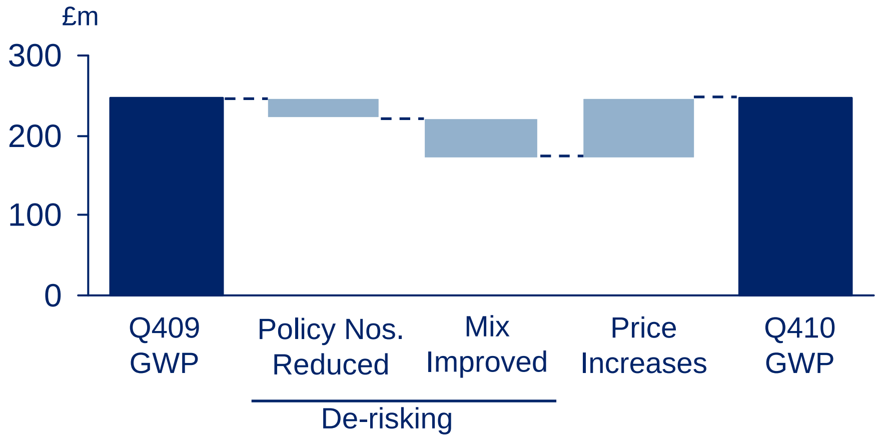
- New pricing engines and models for better underwriting data and more flexible and responsive pricing
- Improved claims handling capabilities to reduce expenses, mitigate claims inflation, combat fraud and improve service
- Efficiency improved through implementation of Lean management practices and announcement of plans to offshore back office processes. Reduction in UK operating sites from 38 to 13 underway
- Focus on business that delivers better risk adjusted returns
- Exit of non-core businesses; focus on direct personal lines and SME Commercial

Improving underlying business performance

	FY10 £m	Q310 £m	Q410 £m
Reported profit / (loss)	(295)	(33)	(9)
Bodily injury reserving	390	100	–
Exceptional bad weather claims	205	0	100
Other	(88)	0	(16)
Underlying profit	212	67	75
Underlying profit – annualised[2]	–	268	300

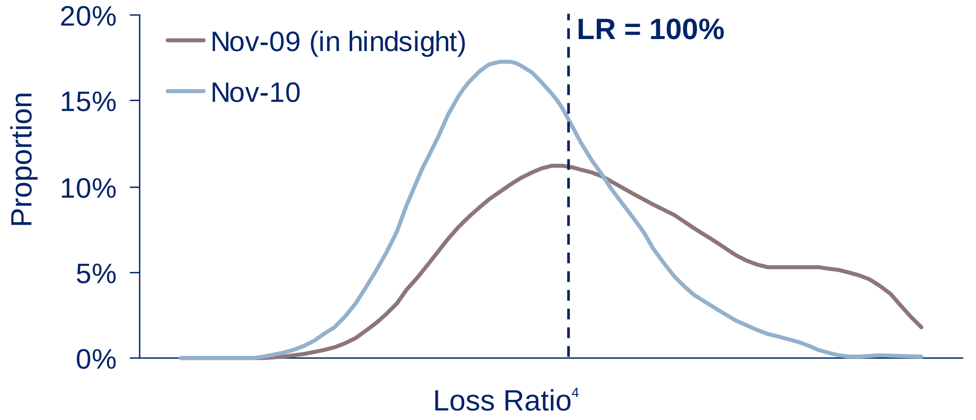
We have reduced motor risk and increased prices ...

Direct Line Motor Q4 Gross Written Premium Waterfall[3]



… hence significantly improving the motor loss ratio

Improvement in Direct Line Motor New Business Loss Ratio[4]



[1] Source: Consumer Intelligence, DfT, NOP, Strategy team research & analysis. [2] Not seasonally adjusted. [3] Mix Improvement implied by the movement of actual average premium 'vs' known price increases. [4] Loss ratio represents the modelled claims cost as a proportion of the premium income of each policy sold.

Conclusions

RBS

Good recovery in Core franchises	■ R&C's strong recovery driven by NIM, good cost control and declining impairments ■ GBM – a resilient performer despite weaker market environment
Non-Core & risk	■ Substantial progress made in 2010 reflecting improved trading book performance and lower impairments ■ TPA reduction program ahead of plan, c50% of original target met ■ Risk exposures much reduced, still more to do
Balance sheet	■ Strong deposit performance across the Group, up £14bn y-o-y ■ Short-term wholesale funding reduced by £93bn in the year ■ All measures significantly improved in 2010, tracking ahead of plan
Capital position remains robust	■ Core Tier 1 capital currently at 10.7% ■ Well-positioned to support business plan, absorb regulatory increases

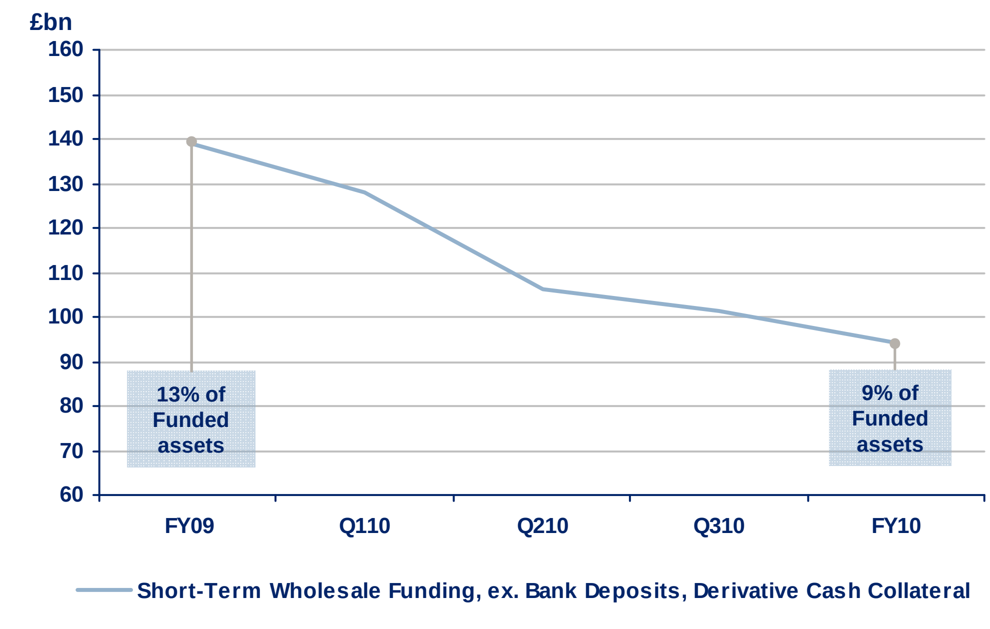
RBS
The Royal Bank of Scotland Group

Questions?

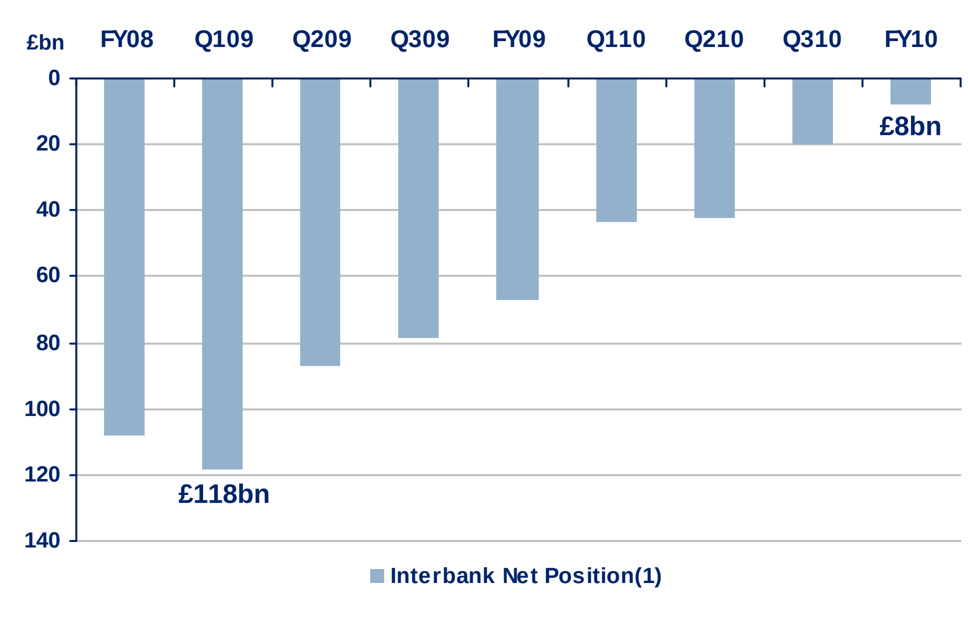
Appendix I

Transformation of Short Term Wholesale Funding Position

Short Term Wholesale Funding



Net Interbank Funding



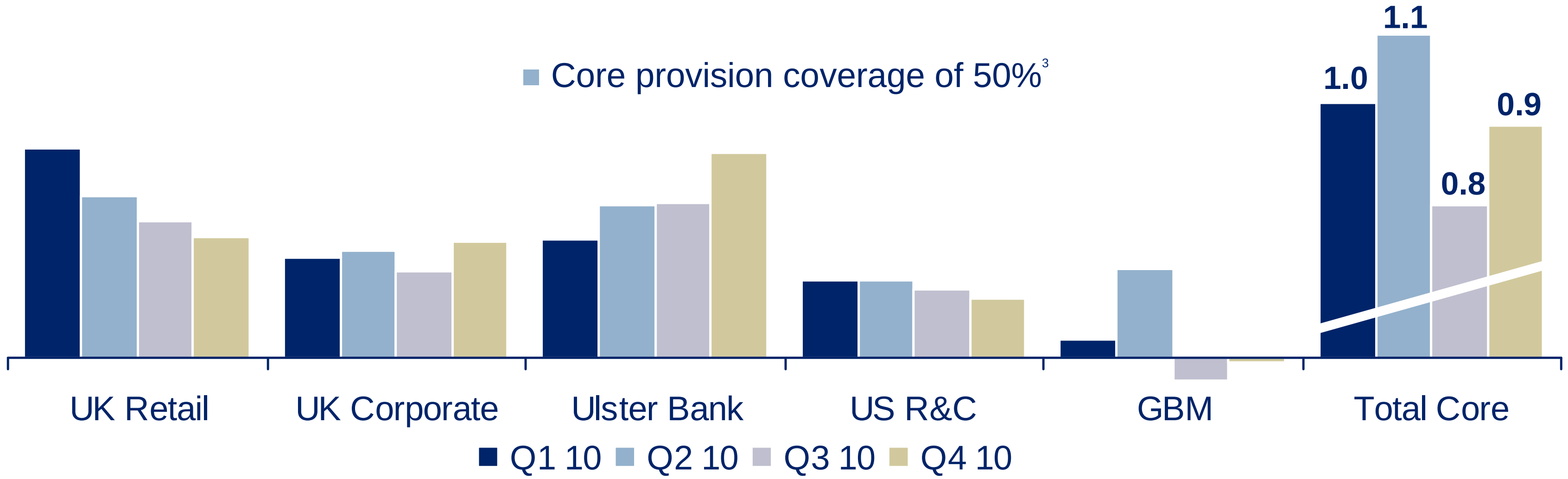
- Much improved short term funding position[2], now 9% of funded assets (14% FY08)
- Net interbank funding position reduced £110bn driven by a reduction in bank deposits of £113bn since 2008
- CP and CD balances now £64bn (£144bn FY08)

[1] Interbank net funding position consists of interbank deposits and cash collateral less interbank lending, net of repurchase agreements and stock lending.
[2] Debt securities and subordinated liabilities with residual maturity of <1 year excluding bank deposits.

Core Impairments

	FY10 £m	FY10 %[1]	Q110 %[1]	Q210 %[1]	Q310 %[1]	Q410 %[1]	Comments
UK Retail	1,160	1.1	1.5	1.1	0.9	0.8	General improvement across the book
UK Corporate	761	0.7	0.7	0.7	0.6	0.8	Q4 increase driven by a few individual exposures
Ulster Bank	1,161	3.1	2.3	3.1	3.0	4.1	Remains elevated, gentle decline forecast in H2 11
US R&C	517	1.0	1.0	1.1	1.0	0.7	Gradual improvement in underlying credit environment
GBM	151	0.2	0.1	0.7	(0.2)	-	Impairments at low levels in 2010
Other[2]	30	-	-	-	-	-	
Total Core	**3,780**	**0.9%**	**0.9%**	**1.0%**	**0.7%**	**0.9%**	

Core impairments by division Q110 – Q410, £bn

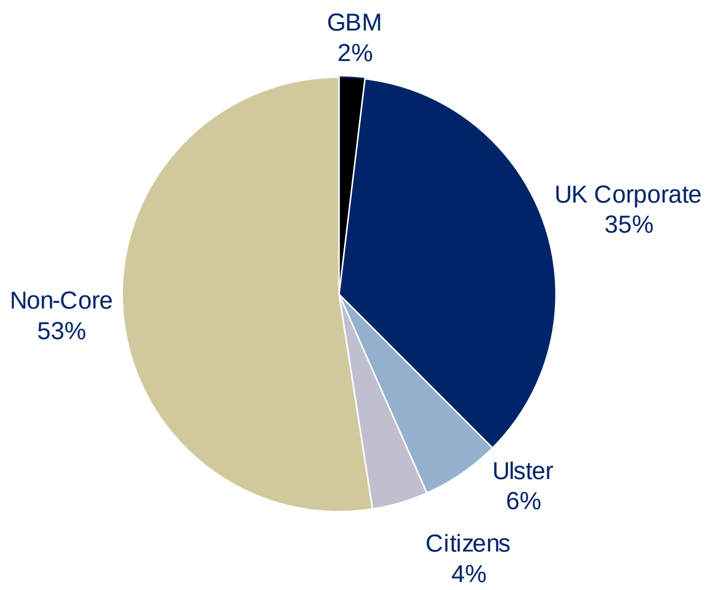


[1] Impairments as a % of L&A excludes Available for Sale. [2] Includes Wealth, GTS, RBS Insurance and Central Items. [3] Provisions as a percentage of REILs.

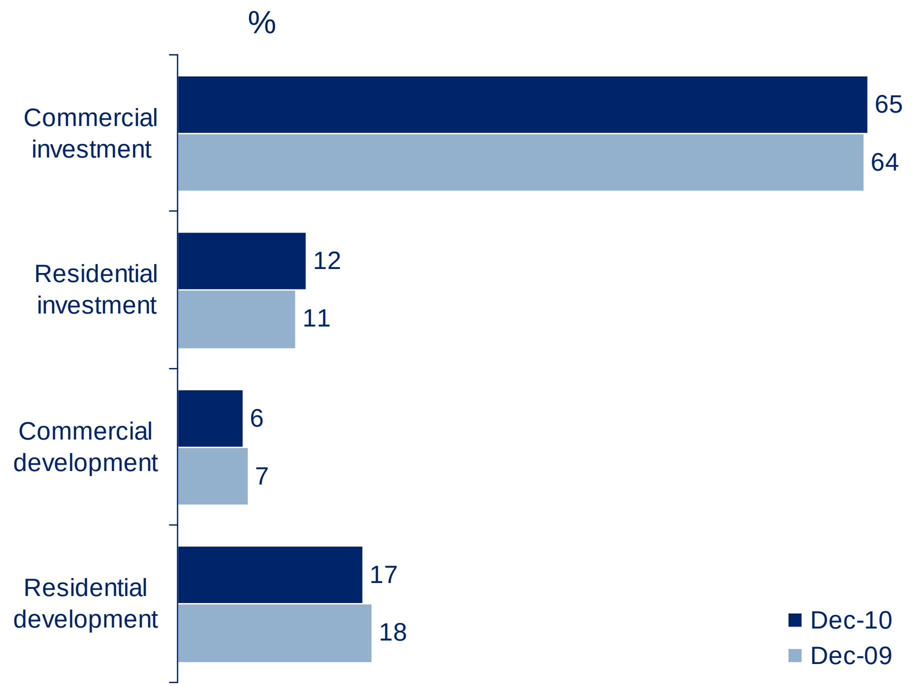
CRE Exposure

RBS

Global portfolio[1] as at 31/12/10: £87bn, (£98bn FY09[2])
By division



Global portfolio[1] as at 31/12/10: £87bn, (£98bn FY09[2])
By sector



- Global portfolio was reduced by £11bn (11.5%) in 2010

Note: Speculative lending at origination represents less than 2% of the portfolio (Short-term lending to property developers without firm long-term financing in place is characterised as speculative. The availability of long term finance will in many cases be dependent upon planning outcomes and the strength of the market.)

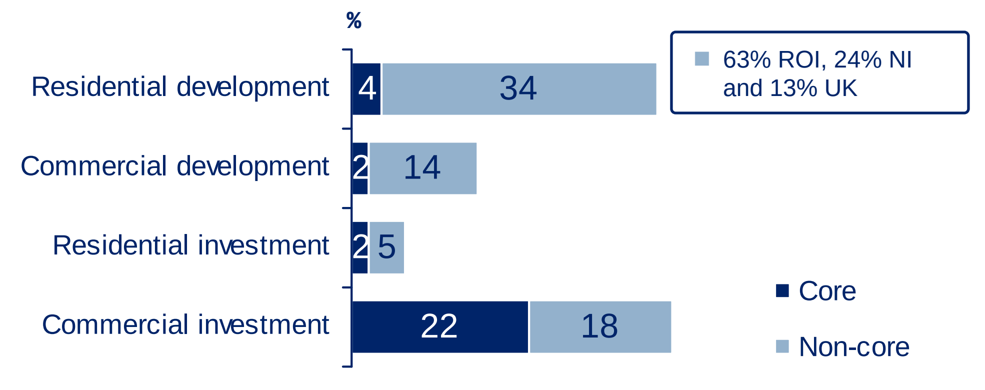
[1] Credit risk assets includes Core and Non-Core portfolios.

[2] 2009 restated on a comparable basis.

Ulster Bank – Commercial Real Estate

Total Portfolio £18.0bn -1.7%[1]

Core:£5.4bn; Non-Core: £12.6bn



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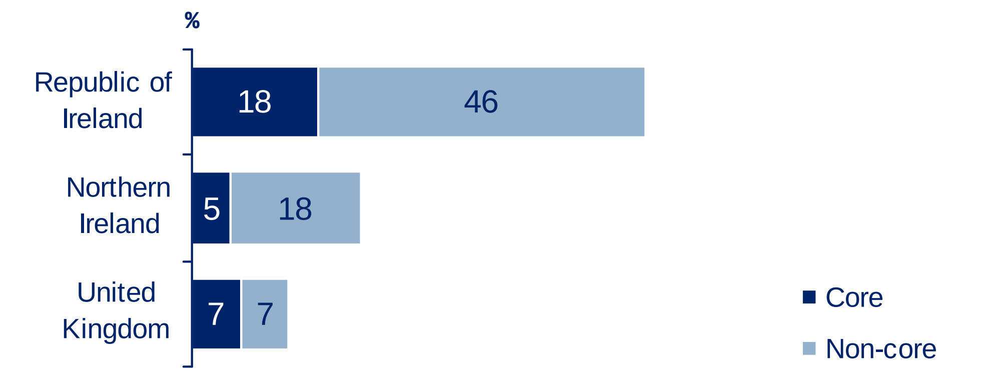
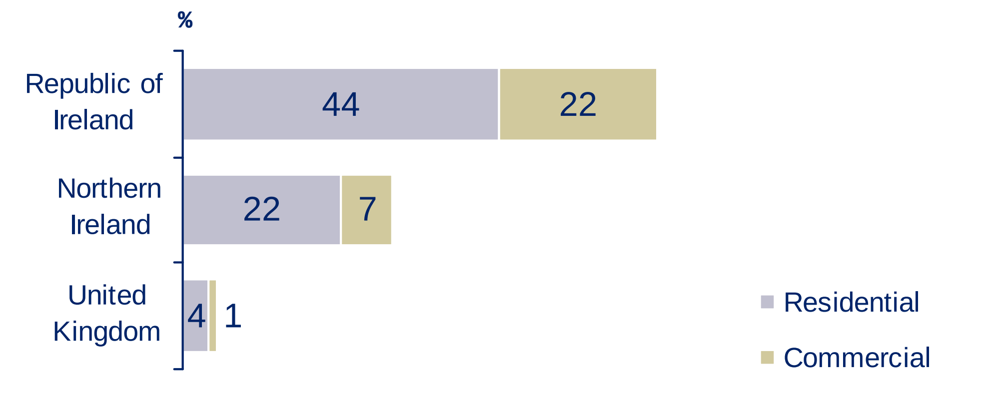


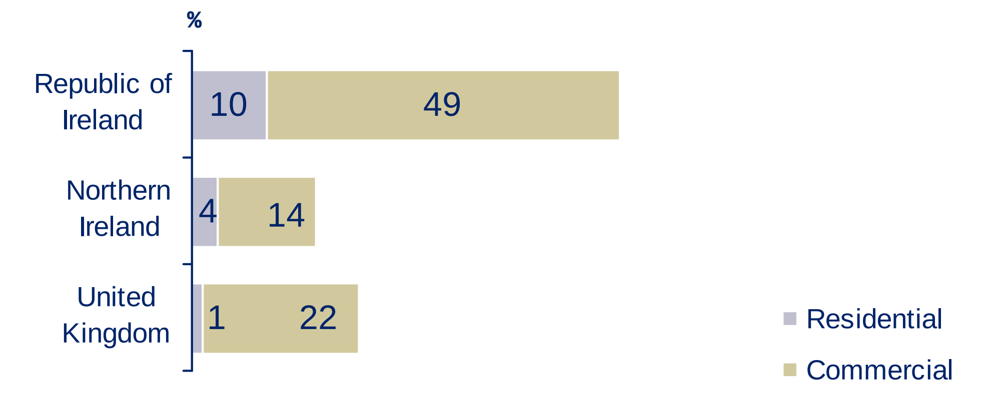
Development Property £9.9bn -2.6%[1]

Core: £1.1bn; Non-Core: £8.8bn



Investment Property £8.1bn -0.7%[1]

Core: £4.3bn; Non-Core: £3.8bn

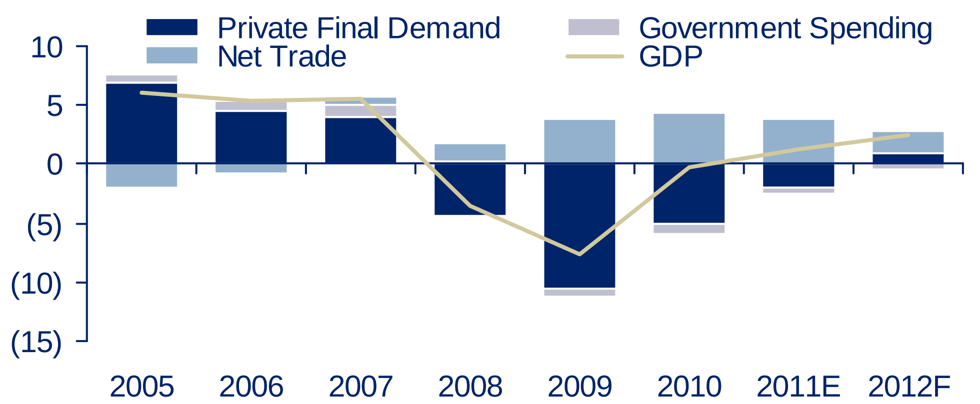


[1] Versus FY09

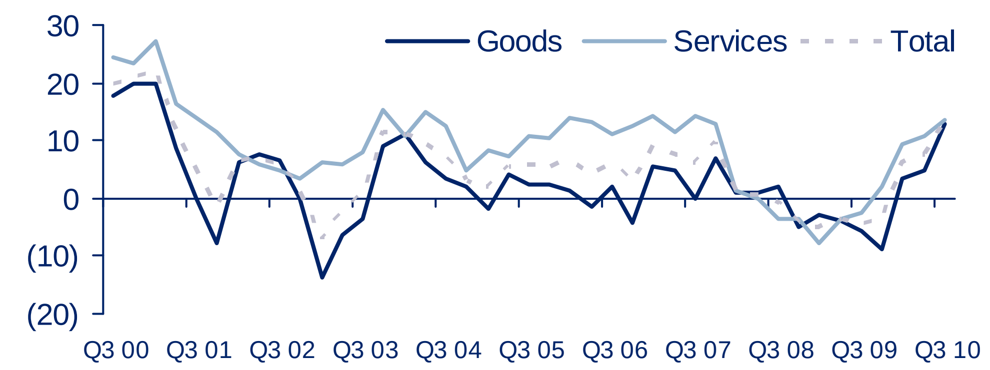
Ireland Economic Outlook

A gradually improving economic back-drop

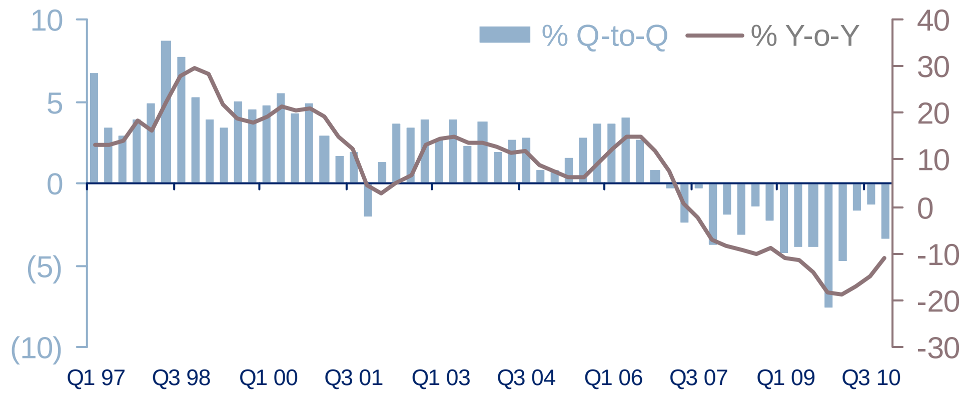
Contribution to GDP growth[1]



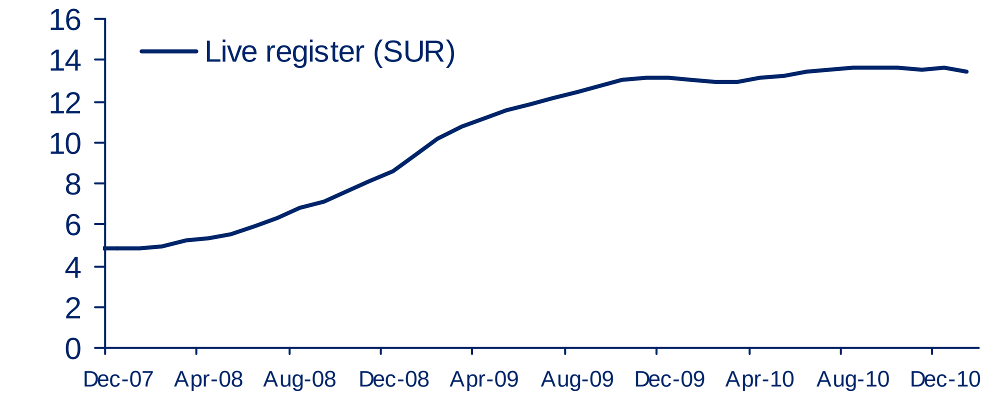
Exports (% Y-o-Y)[2]



House prices[3]



Unemployment rate (LR estimate)[4]



[1] Source: CSO, Ulster Bank.

[2] Source: CSO.

[3] Source: Permanent TSB/ESRI House Price Index.

[4] Source: CSO.

Non-Core Asset Class Composition Changes

RBS

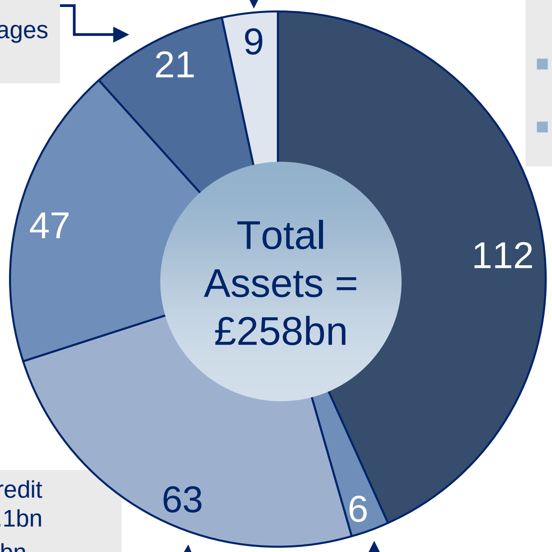
Corporates and Markets reduced by 46% and 57% since inception; Real Estate by 32%

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
- US £2.8bn

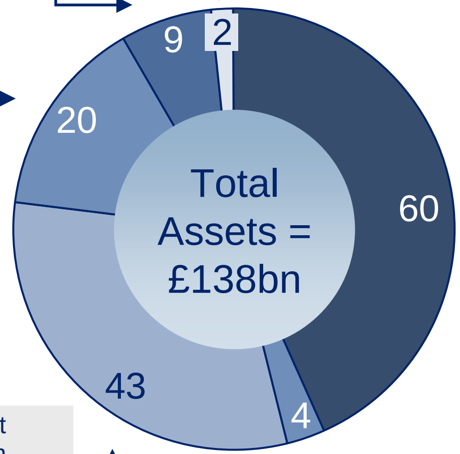
SME
- UK SME £4.2bn
- US SME £1.6bn

2010 Year-End funded assets

Retail
- UK Mortgages & Personal Lending £1.9bn
- US Mortgages & Personal Lending £6.2bn
- Countries £0.9bn

Other
- RBS Insurance £1.6bn
- Whole Businesses £0.1bn
- Shared Assets and Other £0.6bn

Corporate
- Project & Export Finance £16.9bn
- Asset Finance £19.2bn
- Leveraged Finance £7.4bn
- Corporate Loans & Securitisations £13.4bn
- Asset Management £1.6bn
- Countries £1.2bn



Markets
- Structured Credit Portfolio £11.7bn
- Equities £0.6bn
- Credit Collateral Financing £0.1bn
- Exotic Credit Trading £0.1bn
- Sempra £6.7bn
- Other Markets £1.1bn

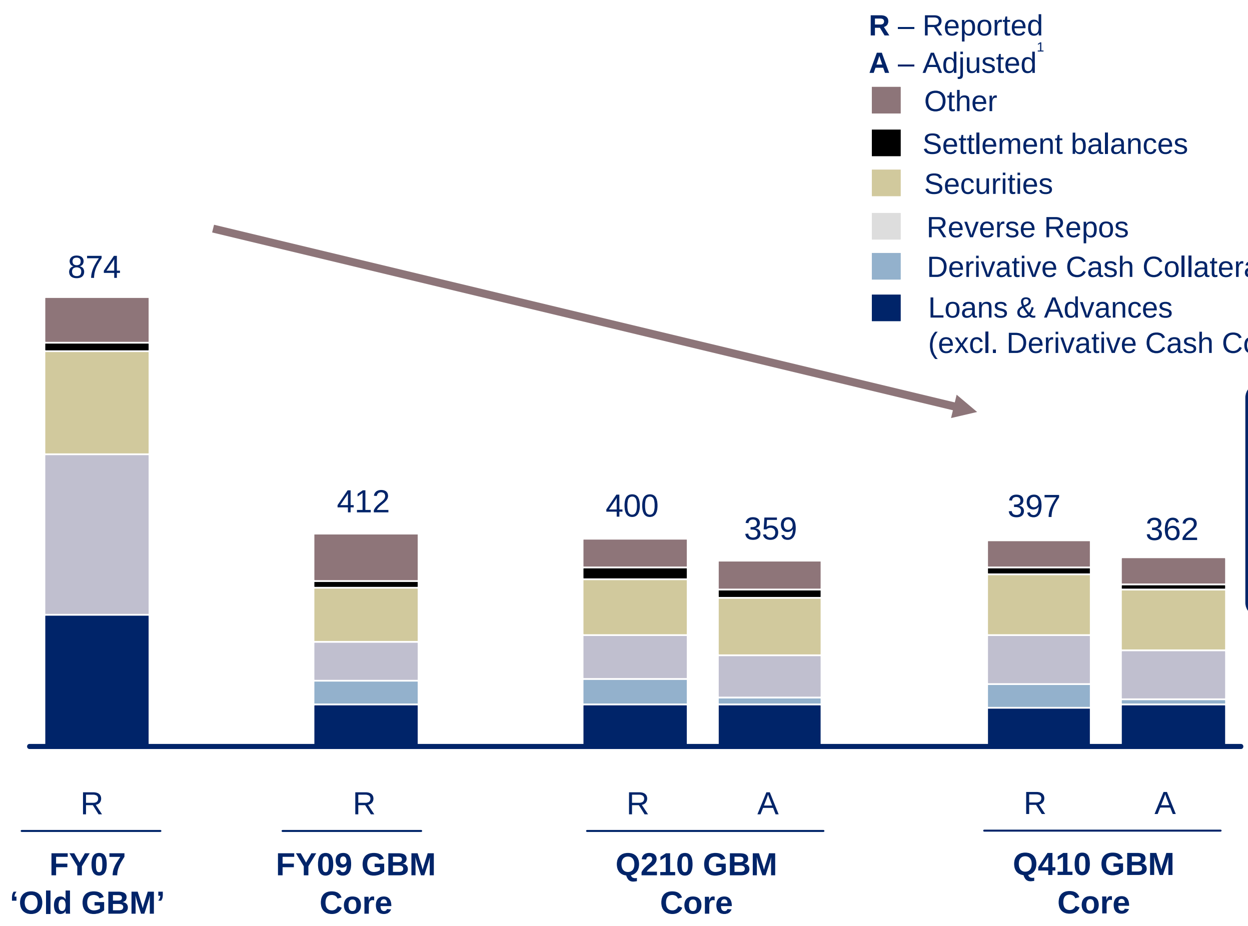
Commercial Real Estate
- Real Estate Finance £23.8bn
- UK B&C £7.2bn
- Ireland £10.3bn[1]
- US £1.4bn

SME
- UK SME £3.1bn
- US SME £0.6bn

[1] Increase due to 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.

GBM Balance Sheet

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

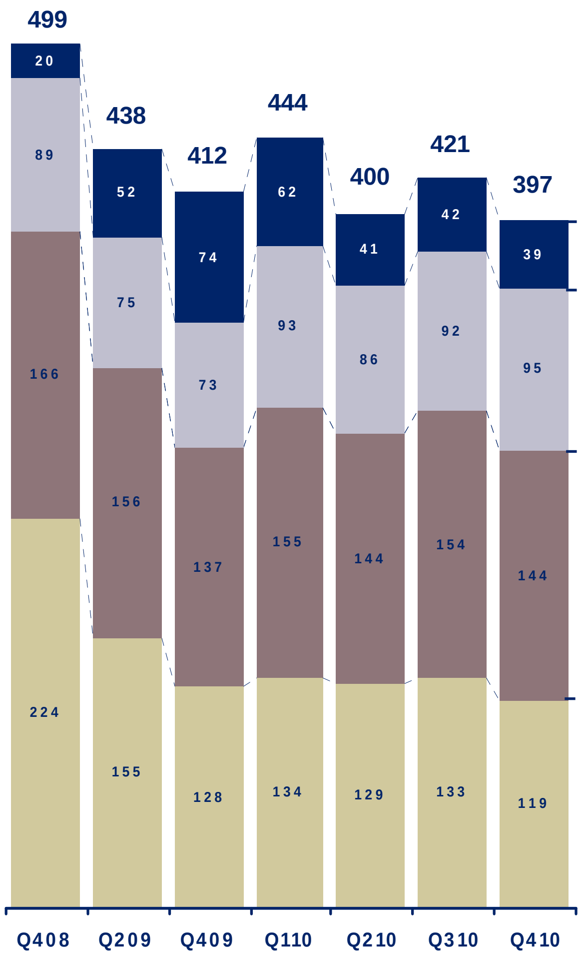


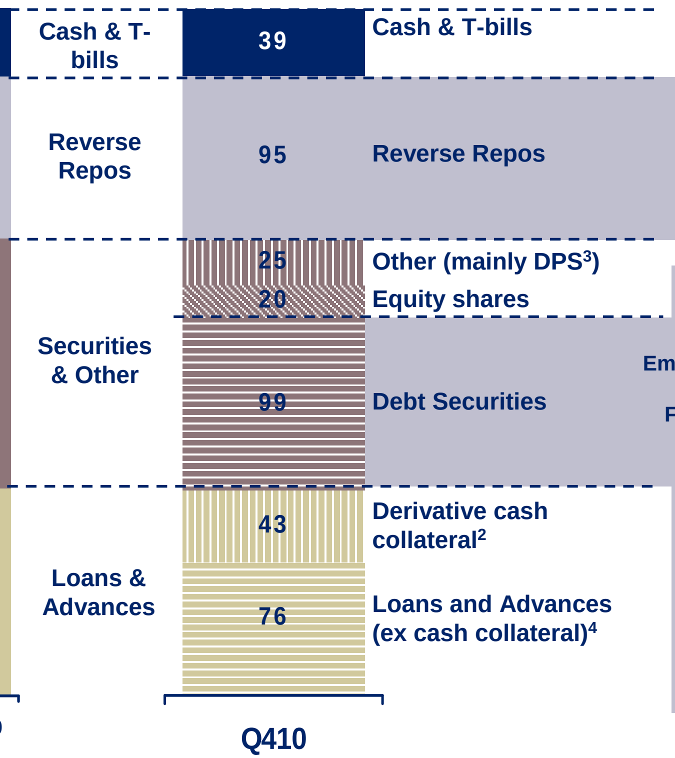
- Funded assets declined 4% y-o-y due to lower loans and advances
- Target range remains c£400-450bn[3]

[1] Adjusted balances include US GAAP compliant netting in respect of counterparty risk for Reverse Repos, Settlement Balances and Derivative Cash Collateral. It should not be taken to represent a fully US GAAP compliant presentation of the overall balance sheet.
[2] Cash collateral posted in relation to derivative liabilities across GBM.
[3] On a reported basis.

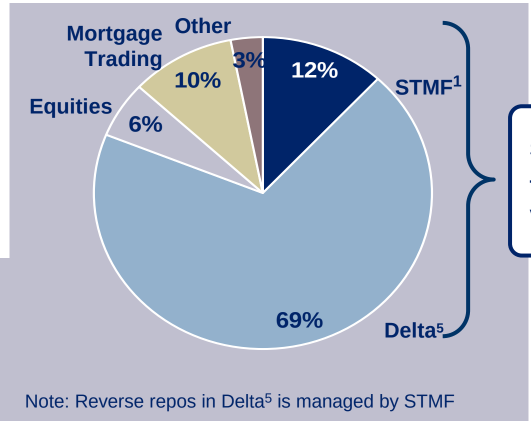
GBM Balance Sheet Detail – Assets

GBM Core Assets



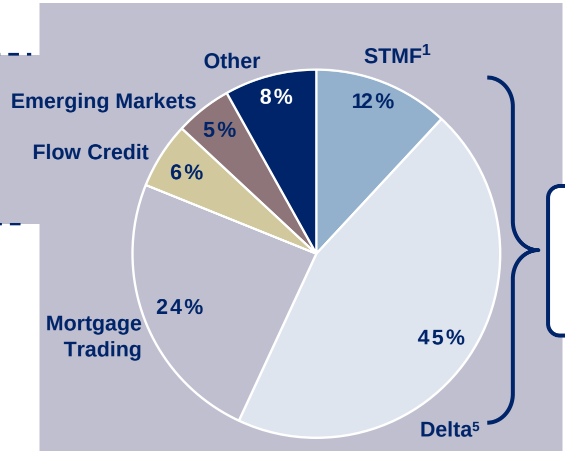


Debt Securities & Reverse Repos held by businesses



STMF + Delta[5] = 81%

These are high grade, very short term assets



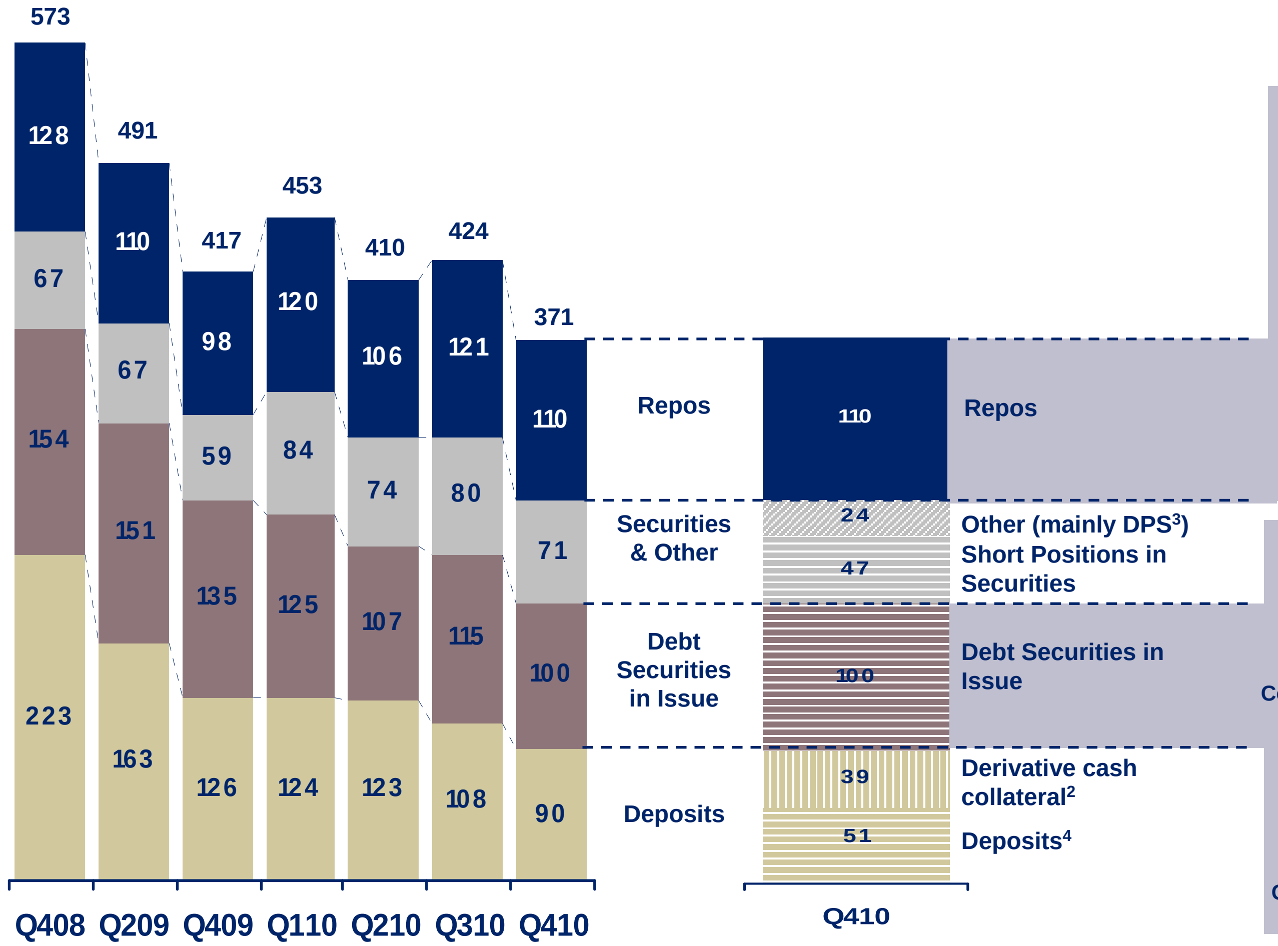
STMF + Delta[5] = 57%

These are high grade debt securities

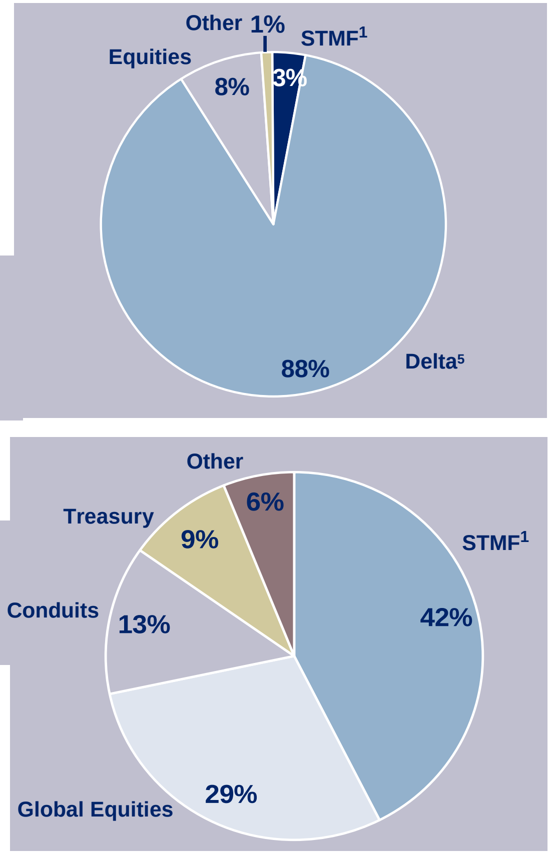
[1] Short Term Markets and Financing.
[2] Cash collateral posted in relation to derivative liabilities across GBM.
[3] Deals pending settlement.
[4] Loans and Advances (ex Collateral) comprises Loans and Advances to Customers £59bn and Loans and Advances to Banks £17bn.
[5] Delta is a provider of interest rate risk management solutions, providing a full range of fixed income cash and interest rate derivative instruments covering all currencies and maturities.

GBM Balance Sheet Detail – Liabilities

GBM Core Liabilities



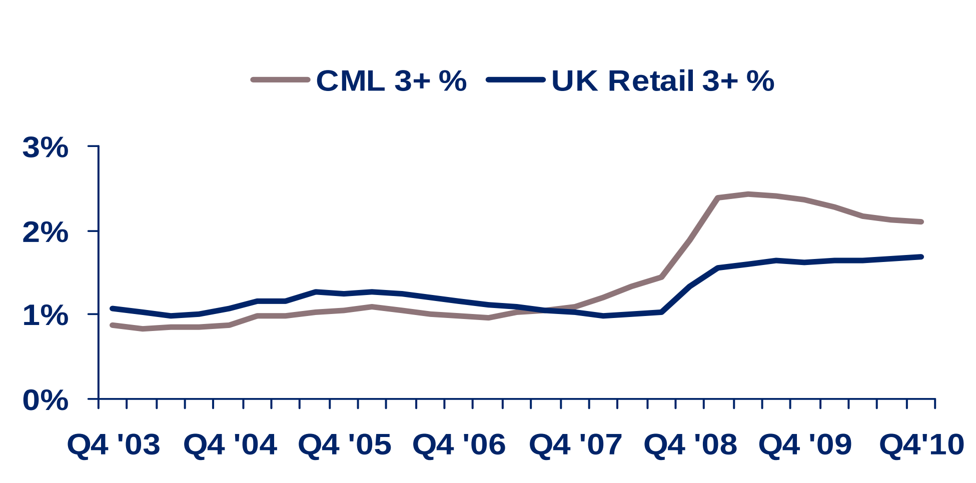
Debt Securities in Issue & Repos held by businesses



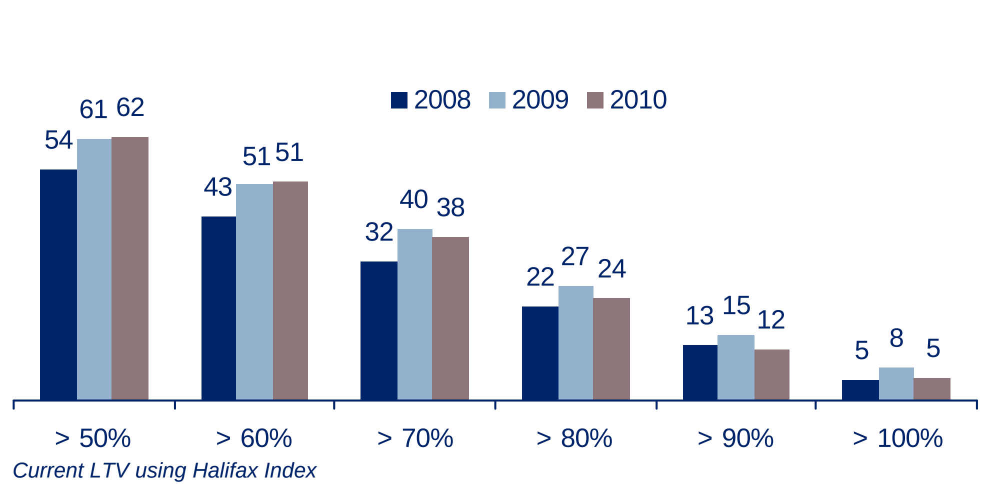
[1] Short Term Markets and Financing.
[2] Cash collateral received in relation to derivative assets across GBM.
[3] Deals pending settlement.
[4] Deposits comprises Deposits by Customers £28bn and Deposits by Banks £23bn.
[5] Delta is a provider of interest rate risk management solutions, providing a full range of fixed income cash and interest rate derivative instruments covering all currencies and maturities.

UK Retail & Business Banking Credit Indicators

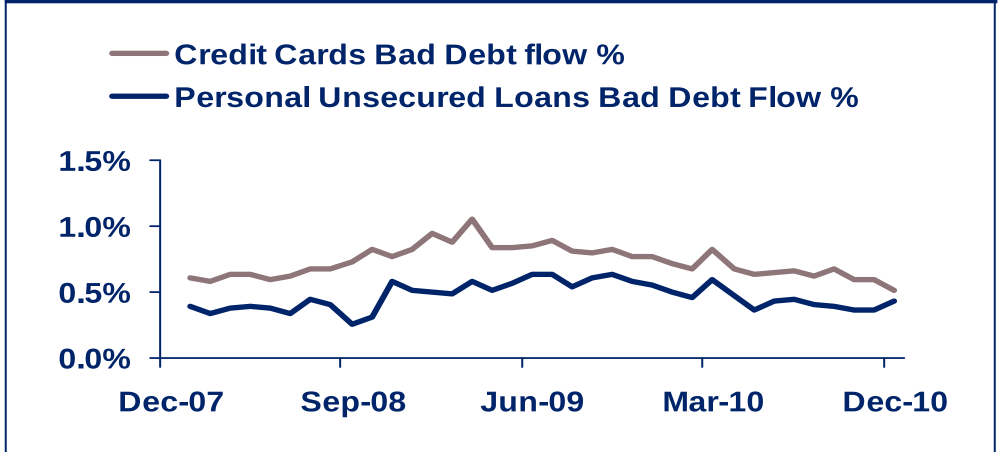
Mortgages – Arrears vs. CML[1,3]



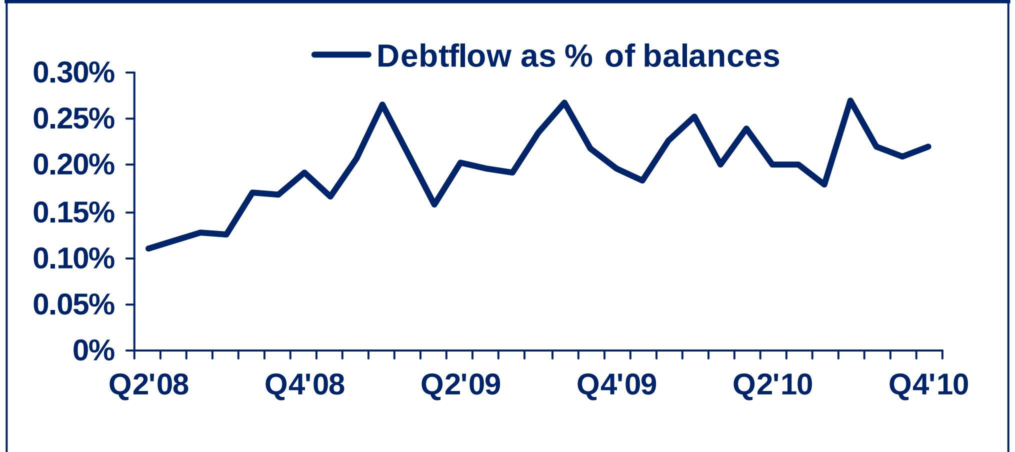
Cumulative loan to value ratio – mortgages (%)[1]



Personal and Cards – Bad debt flows[2]



Business Banking – Debtflows[2]



1 Council of Mortgage Lenders

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

3 Covers 92% of the UK Retail mortgage portfolio, the majority of the remainder are current account mortgages.

Pro forma Impact of Disposals on Income Statement

	Reported FY10 £m	GMS FY10 £m	Sempra[1] £m	Country disposals[1] £m	UK branch disposals[2] £m	Adjusted FY10 £m
Income	32,662	482	374	210	902	30,694
Operating Expenses	**(16,710)**	**(273)**	**(374)**	**(100)**	**(463)**	**(15,500)**
Claims	**(4,783)**	**0**	**0**	**0**	**0**	**(4,783)**
Profit before Impairment Losses	11,169	209	0	110	439	10,411
Impairment Losses	**(9,256)**	**0**	**0**	**(61)**	**(279)**	**(8,916)**
Operating Profit/(Loss) ex. Fair value of own debt (FVoD)	1,913	209	0	49	160	1,495

[1] Shown in Non-Core. [2] Completion expected by 31st March 2012.

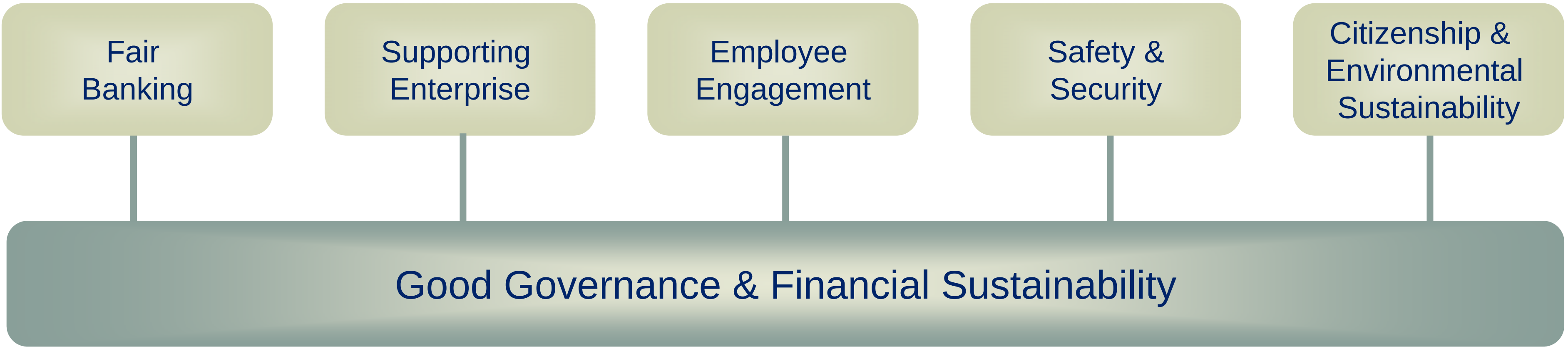
RBS
The Royal Bank of Scotland Group

Appendix II

RBS Group Sustainability 2010

Focus on five themes

The Sustainability Programme focuses on five key themes that are in line with the Groups’ strategic plan. These themes are built on the foundation of good governance and financial sustainability, which is key to the Group’s overall success.

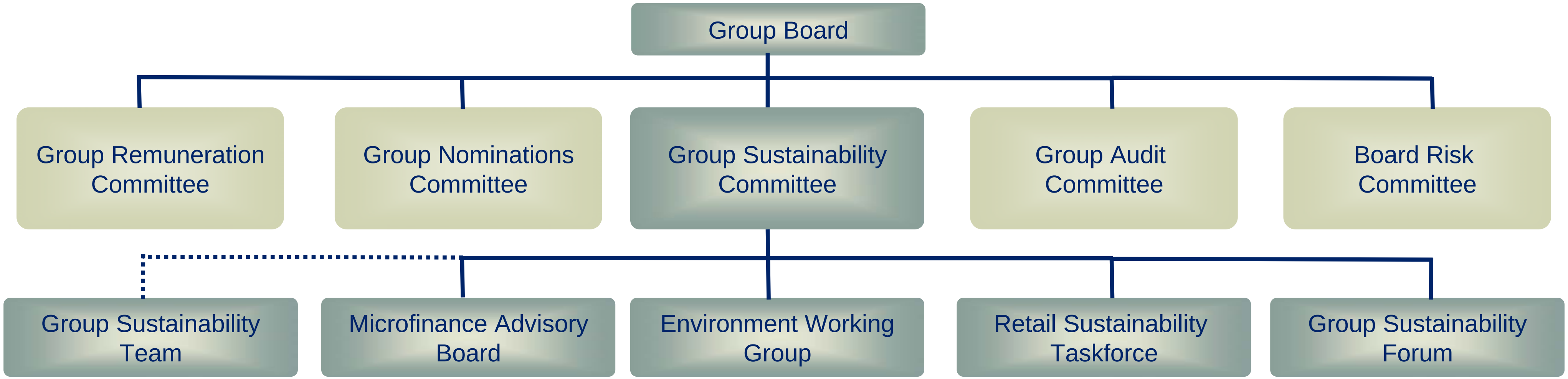


Governance

RBS

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

- **Brian Hartzer**
  CEO, UK Retail, Wealth and Ulster Bank
- **John Hourican**
  CEO, Global Banking & Markets
- **Chris Sullivan**
  CEO, Corporate Banking Division
- **Nathan Bostock**
  Head of Restructuring & Risk



Sustainability in 2010

RBS

- **Fair banking**
  - We are one of the leading providers of Basic Bank Accounts in the UK with a market share of 14%, we currently hold over 1.1 million accounts in total, including 200,000 that were opened in 2010
  - Our MoneySense for schools financial education programme reached nearly 1 million children in the UK
  - Ulster Bank opened 45 branches on Saturdays for the first time in 2010, more than any other bank in Ireland
  - Citizens and Charter One conducted more than 275 financial literacy programmes educating more than 13,000 people
- **Supporting enterprise**
  - Citizens was named second in the US for delivering the best experience for small business customers
  - We have a leading market share in lending to third sector businesses. We currently lend £525m in term loans and £57m in overdrafts in the 5% most deprived electoral wards in the UK
  - Our livelihood projects reach over 63,000 households across 11 states in India
- **Employee engagement**
  - 39,500 employees were given nearly 170,000 hours off to volunteer their time to make a difference in the communities we operate in
  - Nearly 120,000 employees took part in our annual Employee Opinion Survey, a response rate of 81%
- **Safety and security**
  - We achieved a 26% reduction in fraud losses when compared with 2009
  - Due to several initiatives in the US, the number of ID theft cases decreased by over a third and losses were reduced by 18.2%
- **Citizenship and environmental sustainability**
  - We achieved the joint highest score of any bank globally in the 2010 Carbon Disclosure Project results, attaining 93 out of 100 in the disclosure index and ‘A’ in the performance index
  - We were awarded the Gold LEED environmental certification for our RBS buildings in Amsterdam and Chennai

Reporting, disclosure and ratings

- Attained the AA1000 assurance standard for the second year running
- Included in the Dow Jones Sustainability Index scoring 76%, and in the FTSE4Good Index
- Included in the Carbon Disclosure Project 'FTSE350' Leadership Index; scoring 93%
- Members of Global Compact and the Equator Principles since 2003

AA1000
Licensed Assurance Provider
000-3

Dow Jones Sustainability Indexes
Member 2009/10

FTSE4Good

CARBON DISCLOSURE PROJECT

United Nations Global Compact

The Equator Principles