



Re-building and Recovery

Philip Hampton, Chairman

25 February 2010

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Philip Hampton

- Introduction

Stephen Hester

- 2009 Business review & financial highlights
- Core business progression
- Industry developments & Strategic Plan Update
- Stripping away risk
- Outlook

Bruce Van Saun

- Finance & Risk review



Re-building and Recovery

Stephen Hester, Group Chief Executive

25 February 2010

Goals

- Serve customers well
- Attain undoubted standalone strength
- Rebuild durable shareholder value and enable a profitable UK Government sell-down over time
- Strategic plan and targets reaffirmed today

Continuing Business

- Top tier positions in large, enduring, customer-driven markets
- Attractive, sustainable returns available
- Proportionate and balanced risk profile
- Business units combine synergy, balance, growth and sustainability

Delivery

- Met or exceeded Plan targets to date
- Management changed and functioning well
- Riskiest period behind us, big programme remaining
- 2010 the last “foundation” year

Balance Sheet and Excess Risks

- Fast reducing funded balance sheet – down 27%, £351bn¹, from peak
- Funding profile normalising
- Protection of APS in interim
- Forecast risk exit path credible and impairments likely to have peaked

▶ Arms around the Problems

- discovery, disclosure, mitigate – no more surprises

▶ RBS's essential source of value sustained and intact

- All core businesses functioning “normally”, customer franchises resilient

▶ Roadmap to Recovery

- Clear strategy, detailed roadmap, supported inside and out

▶ Tools to do the Job

- Comprehensive Management and Board change
- Recapitalisation anticipating future needs (CT1 11.0%)
- Near-term contingency protection from APS / Contingent Capital

▶ Delivery Ahead of Plan

- Core business turnaround and improvement plans all well underway and ahead of Plan
- Overall risk reduction and Non-Core run-off ahead of Plan

Core Business

- 13% return on equity¹ in 2009, “Operating” EPS 4.9p²
- Following demand pressure in 2009 net interest margin turning up for Retail & Commercial businesses (3.04% Q4 vs 2.91% Q3)
- Cost programme absorbing inflation and investment needs
- Controlled risk profile - improved LDR to 104%³, impairments plateaued at c. £1.2bn per quarter
- Retail and Commercial businesses expected to start improving in 2010

Group Risk Profile

- Impairment charges seem likely to have peaked (H2 16% down on H1)
- Loan:Deposit ratio from peak of 154%^{3, 4} to 135%³ already
- Funded assets down £351bn from peak
- Non-Core funded assets down to £187bn⁵
- Core Tier 1 ratio 11.0%
- Tangible NAV 51.3p/share²

¹ Indicative Core attributable profit, taxed at 28% on attributable Core spot tangible equity (c. 70% of Group tangible equity based on RWAs)

² Indicative pro forma fully diluted for 51bn B Shares

³ Net of provisions

⁴ As at October 2008

⁵ Funded assets excluding Sempra



RBS “Core” in 2009

▶ Customer franchises sustained and intact throughout

▶ GBM captured industry buoyancy despite massive restructuring

▶ Retail and Commercial hit trough and starting recovery

▶ Throughout Core Group action steps to improve on cyclical recovery

- Cost efficiency
- Investment programme
- Management improvement
- Customer targeting and initiatives
- New risk disciplines

Customer Metrics



Division	Customer Numbers ¹	Market Share ¹	Deposits	Comments
UK Retail			£87.2bn	Current accounts up 3%, Mortgages up 10% in 2009 Over 1m savings accounts added in 2009
UK Corporate			£87.8bn	Successful deposit initiatives driving growth Retained #1 customer satisfaction ratings, increased score
Wealth			£35.7bn	Continued investment in service delivery Product developments driving deposit gains
GBM			£46.9bn	Consolidated position as a leading Financial Markets provider across FX ^{2,4} , Options ³ , Rates ^{3,4} and Equities ⁴ Increased focus on penetration of key client relationships
GTS			£61.8bn	Customer balances maintained, strong increase in Q409 Top 5 global transaction bank position reaffirmed
Ulster			£21.9bn	Increased customer numbers in NI and Rol Strong deposit performance in H209
USR&C			£60.1bn	Focusing on profitable relationship households Deposit market share decline primarily due to attrition of high cost deposits
Insurance			n/a	Active repricing of risk in motor markets Customer volumes up, satisfaction stable at 85%+

¹ Represents movements over the year, presented on a Core business basis

² Euromoney

³ Total Derivatives

⁴ Coalition (Equities ranking based RBS regional product offerings, including ECM)

GBM in 2009



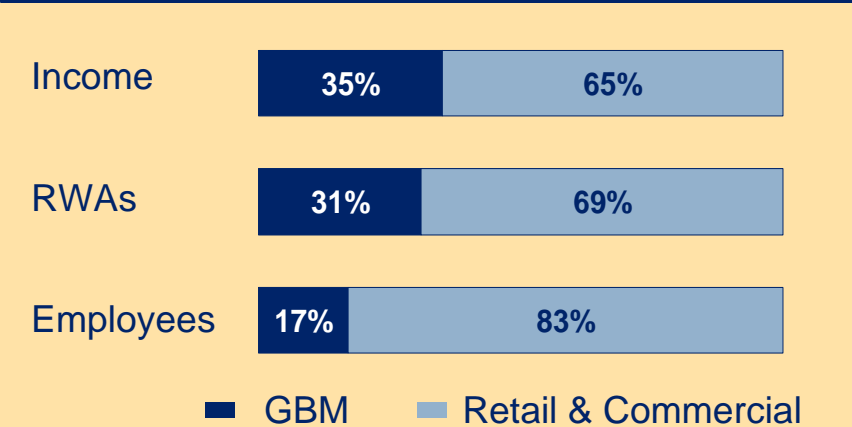
GBM Summary – FY07 vs FY09

	FY07		FY09
	“Old” GBM	Core GBM	
Income, £bn	9.1 ¹	6.7	11.0
Costs, £bn	(5.8) ²	(5.1)	(4.7)
Profit, £bn	3.2 ¹	1.5	5.7
ROE, %	10.8%	10.4%	30.7%
Balance Sheet, £bn	873.8	617.3	412.2
People	24,100	20,900	16,800 ³

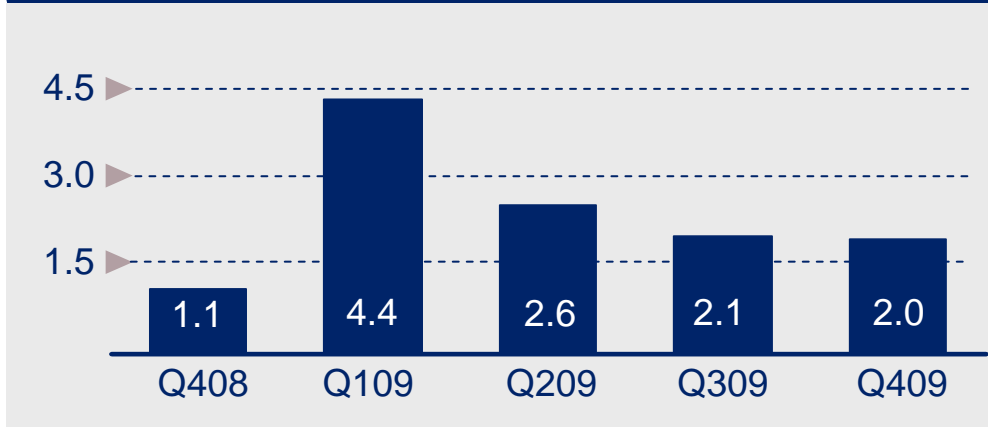
Business Performance – Revenues & Rankings

	09 Est. Ranking	09 Revenues £bn	Gwth vs 08 %
Rates – MM	} Top 5 ⁴	1.7	4%
Rates – flow		3.1	127%
Currencies	Top 5 ^{4,5}	1.3	(17%)
Equities	Top 8 ⁴	1.5	300%
Credit markets	Top 5 ⁶	2.3	n.m.
PM & Origination	#7 ⁷	1.2	39%

Balanced portfolio - % of Core Group



Quarterly Revenues (underlying)⁸, £bn

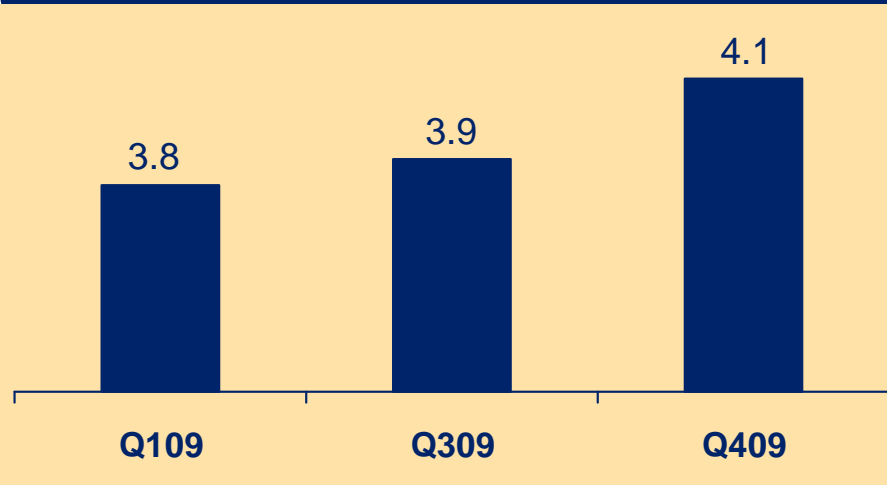


¹ Includes credit market write-downs & one off items of £1,776m. ² Includes £448m of allocated manufacturing costs. ³ Excludes integration staff. ⁴ Coalition (Equities ranking based RBS regional product offerings, including ECM). ⁵ EuroMoney. ⁶ RBS Estimate. ⁷ Dealogic (Global all debt). ⁸ Excluding Sempra, write-downs & FVood

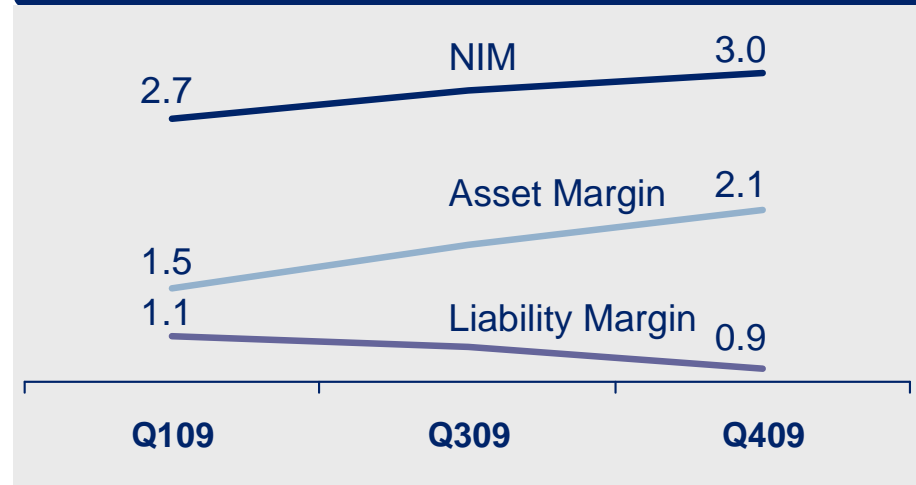
Retail & Commercial¹ – upturn ahead



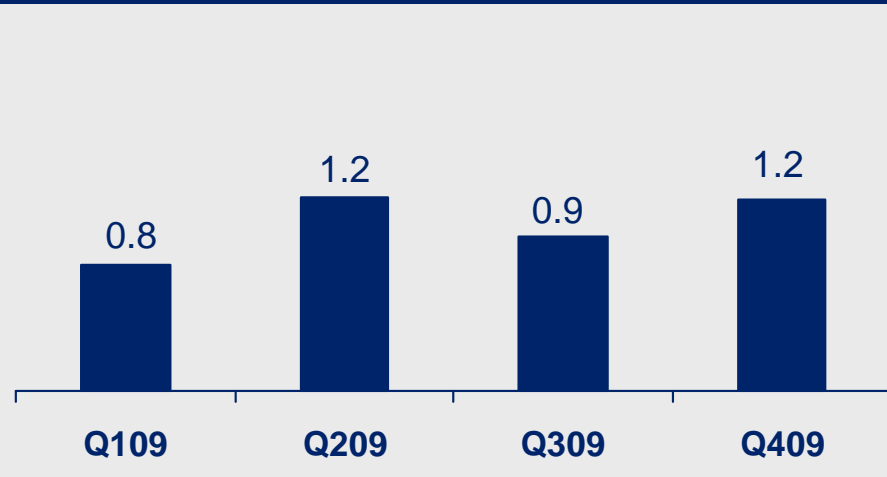
Revenues Q109, Q309 & Q409, £bn



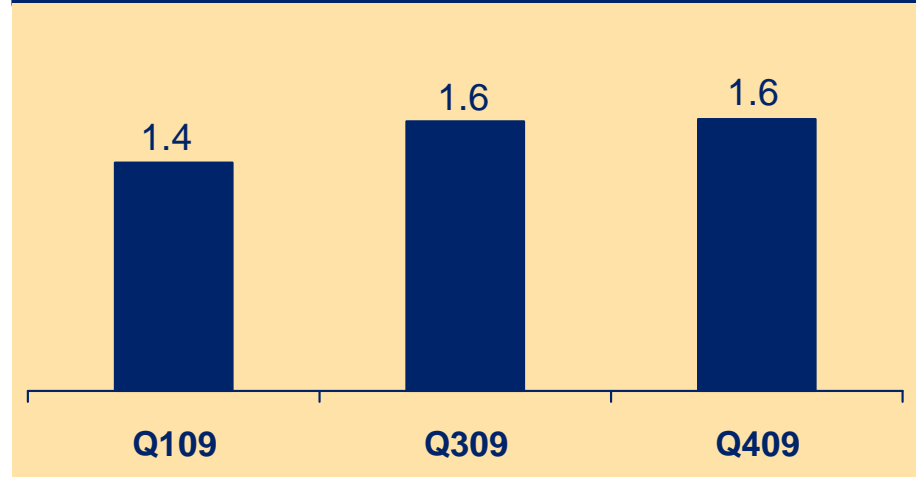
NIM Q109, Q309 & Q409, %



Impairments Q109 - Q409, £bn



PBIL Q109, Q309 & Q409, £bn



¹ UK Retail, Wealth, Ulster, UK Corporate, US Retail & Commercial and GTS



Industry Developments and Strategic Plan Update

Banking is a mature, consolidated/consolidating industry

- Able to adjust to rebuild sustainable fair returns on capital provided through efficiencies and margin rebuild

Thrust of regulatory change is appropriate and considered

- Key 2010 issue is “calibration” and “timetable”. Absent some “give” on both, negative consequences to economic growth and industry returns

Key medium term issue is reform to remove implicit state subsidy in times of systemic crisis.

- Will take years. Solution not in individual size or shape. Needs combination of safer banks (more capital, safer funding, better risk management), and transparent, predictable crisis resolution mechanisms (loss hierarchy, “Chapter 11” for Banks)

Significant proportion of potential impact will be on Non-Core portfolios

Capital –
RWA
impacts

BASEL II CHANGES

- Stressed VaR
- Incremental Risk Charge
- Correlation Trading Book
- Securitisations



Capital –
Overall
Quantity /
Quality

- Proposals have been published but subject to consultation and impact assessment
- Likely implementation will be phased in order not to destabilise Banking System

- Additionally, Counterparty & OTC Derivative reforms expected from 2012 for RWA impacts

To be phased in from 2012

CHANGES TO CAPITAL DEDUCTIONS

- Deferred Tax Assets
- Expected Loss – Provisions
- Securitisations
- Pension deficit
- Material holdings
- Unrealised Losses on AFS
- Minority interest

Enduring customer franchises

- A universal bank, anchored by retail and commercial activities with strong, complementary investment banking capability
- In the top 5 peer group in our chosen markets
- Customer franchises reinvigorated by investment and better management – complementing and enhancing each other

Safer and more focused

- Businesses growing by building on what we already do well, not over-reaching into new markets and businesses
- Profit earned by servicing our customers not by trading our own capital
- Risk management processes overhauled
- Only lending as much as we have in deposits
- Capital and liquidity strength meeting the highest international standards
- Gross reduction in funded assets of £500bn achieved

A valuable, private sector bank

- Consistently profitable, with sustainable shareholder returns targeted at 15% on our equity capital
- 'Standalone strength' regained, no longer needing Government support
- The Government will have sold or at least begun to sell its shares at a profit
- A leader in transparency and 'investor friendly' orientation

Targets we have affirmed and updated



Measure	Worst point	2009	2013 Target
Value Drivers	<u>Group</u>	<u>Core</u>	<u>Core</u>
■ Return on Equity (RoE)	(31%) ^{1,2}	13% ³	>15% ³
■ Cost/income net of claims (C:I)	97% ²	53%	<50%
Risk Measures	<u>Group</u>	<u>Group</u>	<u>Group</u>
■ Core Tier 1 capital ratio	4% ⁴	11.0%	>8%
■ Loan:deposit ratio (LDR)	154% ⁵	135%	c.100%
■ Wholesale funding inc bank deposits ⁶	£343bn ⁷	£250bn	<£150bn
■ Liquidity reserves ⁸	£90bn ⁷	£171bn	c.£150bn
■ Leverage ratio ⁹	28.7x ¹⁰	17.0x	<20x
Divisions – 2013 targets	<u>GBM</u>	<u>R&C</u>	<u>Non-Core</u>
■ Return on Equity (RoE)	15-20%	>20%	Balance Sheet - c. £20-40bn
■ Cost:income net of claims (C:I)	c55%	c45%	APS exited
■ Loan:deposit ratio (LDR)	n.a.	<90%	

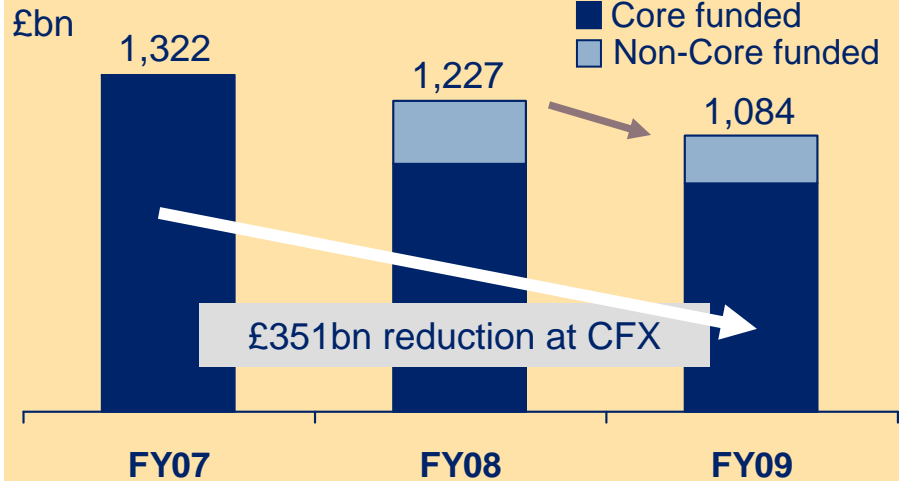
¹ Group return on Tangible Equity. ² 2008 ³ Indicative Core attributable profit, taxed at 28% on attributable Core spot tangible equity (c. 70% of Group tangible equity based on RWAs).
⁴ As at 1 January 2008 ⁵ As at October 2008 ⁶ Amount of unsecured wholesale funding under 1 year (£bn) of which bank deposits are currently £109bn, target £65bn, other unsecured wholesale funding currently £141bn, target £85bn ⁷ As at December 2008 ⁸ Eligible assets held for contingent liquidity purposes including cash, Govt issued securities and other securities eligible with central banks ⁹ Funded tangible assets divided by T1 capital ¹⁰ As at June 2008



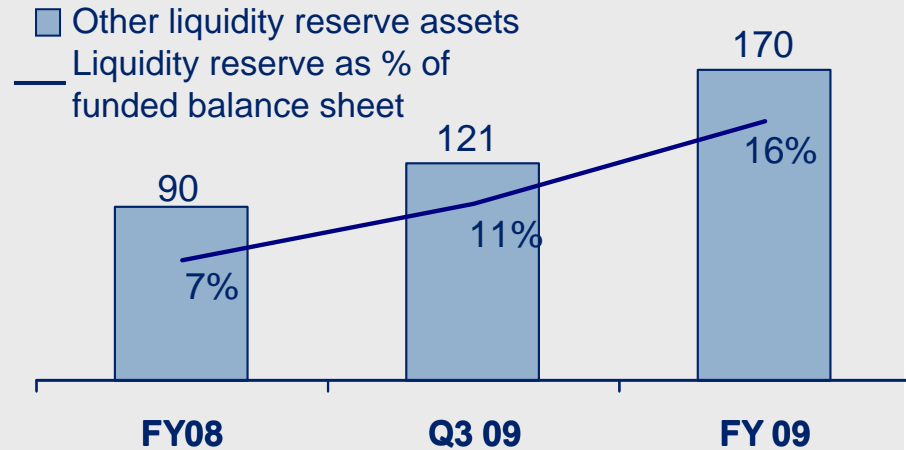
Stripping away risk (The “NAV Adjuster”)

Risk Profile – worst should be past

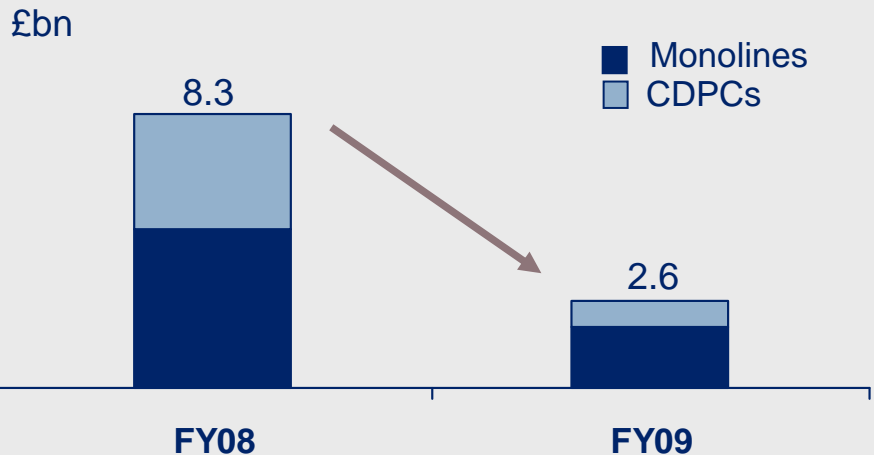
Funded balance sheet/Non-Core



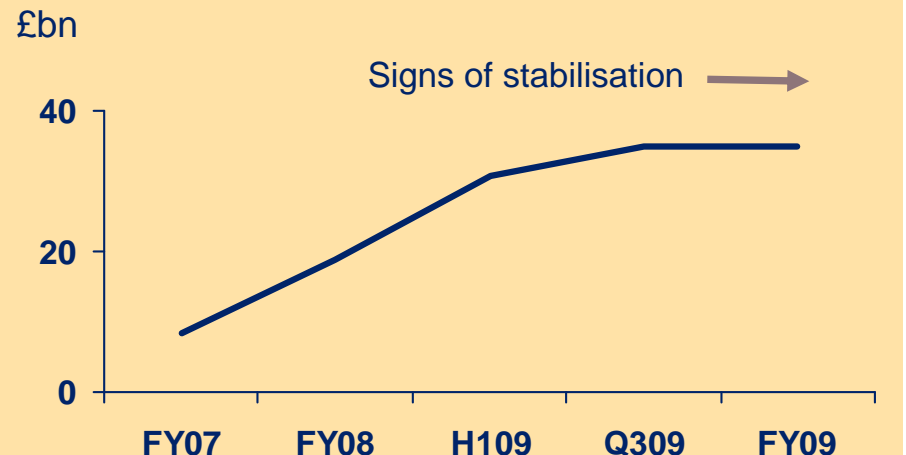
Group liquidity reserve evolution



Counterparty credit market exposures



Group Credit Risks (REILs)



Disposals:

- **Sempra**¹ (£14.2bn assets, £52m RBS 2009 operating profit) – part completed
- **UK SME / Branches** (£23.6bn assets, £18.2bn RWAs, operating loss of £146m, 2009)
Sale process in train, complex separation issues. Target agreement 2010, completion 2011
- **Merchant Acquiring** (£527m income, £249m operating profit 2009)
Sale process in train. Target agreement and close H2 2010
- **Insurance** (£4,460m income, £58m operating profit 2009)
Set timing to maximise value. H2 2012 current target for IPO. May dual track IPO / trade sale

Other constraints include:

- Dividend block from April 2010 to April 2012²
- GBM league table ceiling
- End 2013 Group balance sheet target

¹ Sale of Metals, Oil and European Energy business lines agreed on 16th February 2010; operating profit stated post MI

² Start date must be no later than 30 April 2010



Outlook

RBS's Core Business prospective earnings power should drive the Group's value as uncertainties recede. All businesses should benefit from management actions and Retail and Commercial businesses (c²/₃ of Group in 2013) from improving economies. Normalised GBM earnings still targeted at 15%+ ROE.

2010 expected to see reduced but healthy Core profits as GBM earnings normalise and recovery begins in Retail & Commercial. Non-Core impairments & write-downs are expected to improve, but are likely to remain high and continue to weigh against strong Core operating profits. We expect a gently falling Group impairment charge and gently rising NIM following downward pressure earlier in 2009.

RBS's excess risk vulnerabilities are falling sharply, protected in large part from extremes. Best thought of as a NAV deduction for Non-Core rundown.

Inevitable uncertainties around

- Path of economic recoveries and credit quality
- Regulatory and governmental actions
- Execution risk of RBS's plans

The amplitude of these uncertainties is reduced and should reduce still further in 2010

Business Case

- Market leading businesses in large, enduring, customer driven markets
- Retail and Commercial businesses to drive earnings recovery from here. GBM remains a key contributor however.
- Well capitalised Group and tail risks insured, achieves risk profile “AA” category
- Turnaround story key, advanced, but execution risk remains
- 2010 a year of implementation
- Visibility of turnaround strengthening into 2011

Investment Case

- As plan targets are hit, and
- External uncertainties reduce
- RBS Investment Case clarifies

Building Blocks

- 2013 Core EPS prospects
- Cross check to book multiple after impact of Non-Core rundown losses
- Consideration of Contingent Capital and “B” Share exit mechanics and timing



Re-building and Recovery

Bruce Van Saun, Chief Financial Officer

25th February 2010

- Group financial highlights
- Core review
- Non-Core review
- Funding & Capital
- Managing risk
- Conclusions

Group financial highlights



	FY09 £m	FY08 £m	FY09 vs FY08 %	Q409 £m	Q409 vs Q309 %
Income	29,425	20,599	43%	7,540	6%
Operating Expenses	(17,401)	(16,188)	7%	(4,473)	7%
Claims	(4,357)	(3,917)	11%	(1,321)	15%
Profit before Impairment Losses	7,667	494	n.m.	1,746	0%
Impairment Losses	(13,899)	(7,432)	87%	(3,099)	(5%)
Operating Profit/(Loss)	(6,232)	(6,938)	(10%)	(1,353)	(11%)
Other ¹	4,304	(1,358)	n.m.	1,487	
Profit/(Loss) Before Tax	(1,928)	(8,296)	(77%)	134	
Attributable Loss	(3,607)	(24,306)	(85%)	(765)	
Net interest margin	1.76%	2.08%	(32bp)	1.83%	8bp
Cost:income ratio	59.1%	78.6%	(195bp)	59.3%	2bp

Capital & Balance Sheet	31 Dec 09	30 Sept 09	Change	31 Dec 08	Change
Funded balance sheet	£1,084.3bn	£1,127.8bn	(4%)	£1,227.2bn	(12%)
Risk-weighted assets (pre APS)	£565.8bn ²	£594.7bn	(5%)	£577.8bn	(2%)
Core tier 1 ratio	11.0%	5.5%	550bp	5.9%	510bp
Net tangible equity per share	51.3p	59.4p	(14%)	73.8p	(31%)

¹ Includes restructuring & integration costs, amortisation, bonus tax, gain on redemption of own debt, strategic disposals and gain on pensions curtailment

² Excludes £128bn RWA relief of APS

NIM & Future Outlook



Margin progression FY08 to FY09

	FY09	FY08	Q4 09	Q3 09
Group NIM	1.76	2.08	1.83	1.75
R&C NIM	2.89	3.00	3.04	2.91
R&C Asset margins	1.75	1.38	2.05	1.79
R&C Liability margins	1.11	1.60	0.90	1.05
GBM	1.38	1.34	0.89	1.08

- Asset margins continue to widen in Retail & Commercial business, driving overall Group NIM
- Deposit margin pressures, while abating, and structural uplift in funding & liquidity costs constrain full benefit of asset margin widening

	2009 -11	2011 -13
Group NIM	→	→
R&C Asset margins	↗	→
R&C Liability margins	↘	→
R&C NIM:		
- UK Retail	→	→
- UK C&C	→	→
- Wealth	↘	→
- GTS	↔	→
- Ulster	→	→
- US R&C	→	→
GBM	↘	→
Non-Core	↗	↘
Impact of funding & liquidity	↘	→

Stabilising NIM

- Underlying NIM trending upwards following downward pressure earlier in 2009

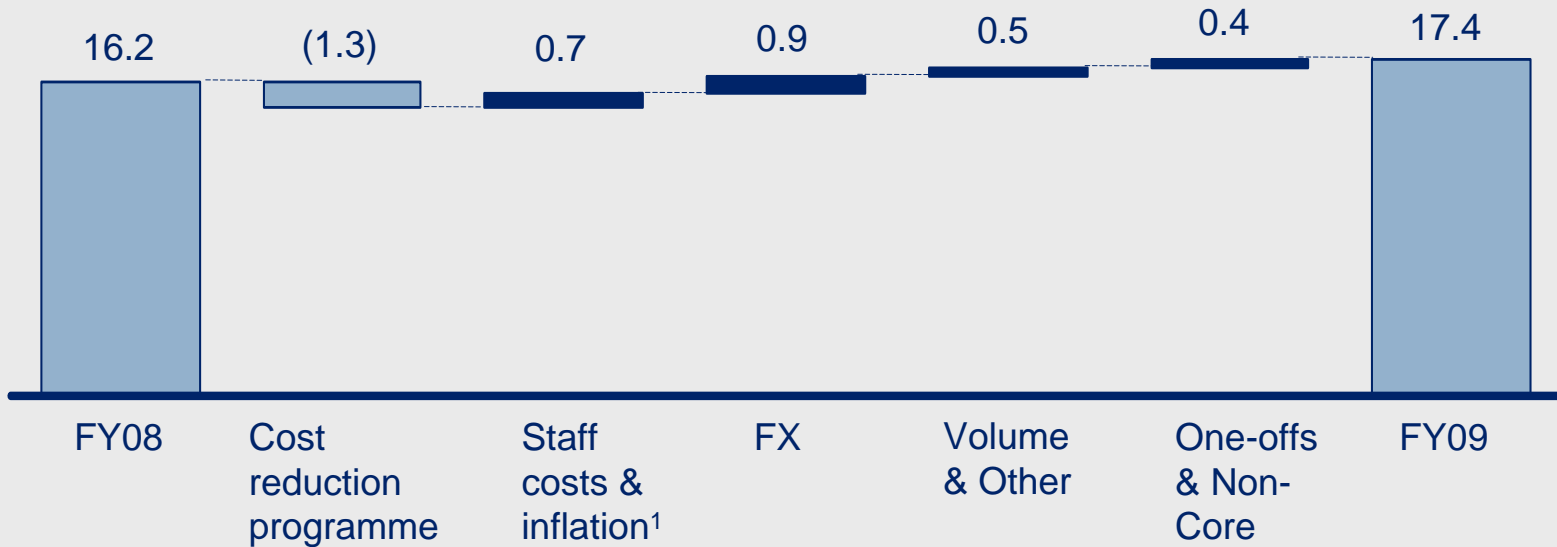
Assumptions

- Interest rates forecast to rise from 2011
- Competition will remain intense for deposits

¹ R&C incorporates divisions noted on right hand table

Group operating expenses

Operating expenses, FY08-FY09, £bn



- Cost income ratio improved from 78.6% to 59.1%
- Cost reduction ahead of plan, £1.3bn achieved to date at constant FX
- FX accounts for c75% of uplift at £0.9bn
- Meaningful net reduction planned over 2010-11 featuring completion of £2.5bn cost reduction programme & run down of Non-Core's cost base

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



Core performance

Core performance



	FY09 £m	FY08 £m	FY09 vs FY08 %	Q409 £m	Q409 vs Q309 %
Net Interest Income	12,319	14,115	(13%)	2,935	(3%)
Non Interest Income	19,407	9,516	104%	4,497	12%
Income	31,726	23,631	34%	7,432	6%
Operating Expenses	(14,954)	(13,505)	11%	(3,788)	3%
Claims	(3,769)	(3,217)	17%	(1,173)	15%
Profit before Impairment Losses	13,003	6,909	88%	2,471	5%
Impairment Losses	(4,678)	(2,496)	87%	(1,288)	(6%)
Operating Profit/(Loss)	8,325	4,413	89%	1,183	4%

- 2009 operating profit almost double 2008, RoE¹ is 13%
- Income up 34% led by GBM, positive operating leverage
- Impairments – at elevated levels, but steady c. £1.2bn per quarter
- Insurance claims elevated by poor weather & increased bodily injury claims (£448m)
- Q4 stable relative to Q3

¹ Indicative Core attributable profit, taxed at 28% on attributable Core spot tangible equity (c. 70% of Group tangible equity based on RWAs).

Core by division¹



UK Retail

	FY09	FY08	09/08	Q409	Q4/Q3
Income	4,947	4,938	0%	1,282	5%
PBIL	1,908	1,742	10%	579	24%
Impairments	(1,679)	(1,019)	65%	(451)	12%
Operating profit	229	723	(68%)	128	100%

- Strong PBIL growth driven by writing £11bn of net new mortgage lending; & new business margins
- Expense control reflects continued improvements in operating model efficiencies
- Impairments elevated but levelling off

UK Corporate

Income	3,582	3,737	(4%)	948	1%
PBIL	2,052	2,100	(2%)	530	(6%)
Impairments	(927)	(319)	191%	(190)	2%
Operating profit	1,125	1,781	(37%)	340	(10%)

- Deleveraging focus of clients has seen contraction in loan exposures and subdued activity
- PBIL has been stable, impairments elevated but trending lower

Wealth

Income	1,109	1,059	5%	274	(2%)
PBIL	453	364	25%	99	(18%)
Impairments	(33)	(16)	106%	(10)	n.m.
Operating profit	420	348	21%	89	(25%)

- Strong profit growth reflects the value of Wealth's healthy deposit base
- Tight cost control has helped further drive profitability

GBM

Income	11,009	2,714	n.m.	2,069	19%
PBIL	6,349	(1,274)	n.m.	1,001	69%
Impairments	(640)	(522)	23%	(130)	(52%)
Operating profit	5,709	(1,796)	n.m.	871	171%

- Value of the franchise reflected and reinforced by the year's performance
- Revenues reverted to trend line in H2 following exceptional Q1

¹ All figures in £m unless otherwise stated

Core by division¹

GTS

	FY09	FY08	09/08	Q409	Q4/Q3
Income	2,487	2,431	2%	637	2%
PBIL	1,012	1,056	(4%)	228	(17%)
Impairments	(39)	(54)	(28%)	(4)	(82%)
Operating profit	973	1,002	(3%)	224	(11%)

- Resilient operating profit despite deposit income pressure throughout the year
- Quarterly operating profit impacted by FX movements; down only 5% on a CFX basis

Ulster Bank

Income	1,034	1,039	(0%)	285	23%
PBIL	281	324	(13%)	73	24%
Impairments	(649)	(106)	n.m.	(348)	142%
Operating profit	(368)	218	n.m.	(275)	n.m.

- Performance in line with lowered expectations given deterioration in economic conditions
- Strong customer balance growth in H2 given improved markets; tight expense control

US R&C (\$m)

Income	4,264	4,793	(11%)	1,055	0%
PBIL	925	1,788	(48%)	221	(3%)
Impairments	(1,099)	(811)	36%	(252)	(15%)
Operating profit	(174)	977	n.m.	(31)	(54%)

- Tough year but Q4 has seen a reversal of margin contraction as repricing actions gain traction
- Signs of plateauing NPLs, along with lower Q4 provisions

Insurance

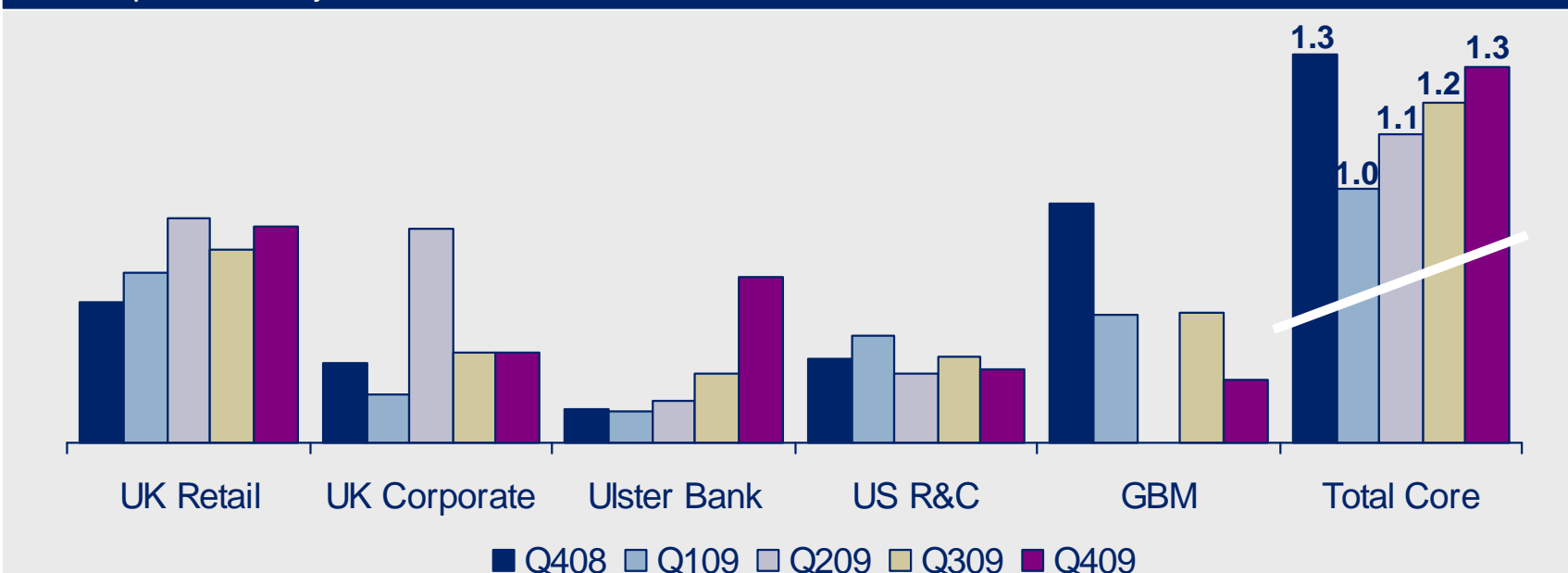
Income	4,460	4,430	1%	1,176	5%
Claims	(3,635)	(3,032)	20%	(1,156)	25%
PBIL	66	626	(89%)	(170)	n.m.
Operating profit	58	584	(90%)	(170)	n.m.

- Operating profit severely affected by rising costs of bodily injury claims; £448m higher charge than '08
- Significant price increases have been implemented reflecting increased costs

Core impairments¹

	FY08 % L&A	FY09 £m	FY09 % L&A	H109 % L&A	H209 % L&A	Q409 % L&A	FY09 Key Sector Impairments:
UK Retail	1.09	1,679	1.63	1.70	1.66	1.75	Mortgages robust, unsecured personal & cards driving increase
UK Corporate	0.27	927	0.83	0.98	0.67	0.67	Stabilising Q4, property & construction major feature
Ulster Bank	0.24	649	1.63	0.81	2.48	3.51	Property continuing to drive impairments
US R&C	0.71	702	1.44	1.42	1.36	1.25	Mortgage impairments moderating
GBM	0.29	640	0.59	0.40	0.66	0.59	No real trends, a limited number of cases
Other ²	0.22	81	0.26	0.24	0.29	0.21	Primarily Wealth & GTS
Total Core	0.47	4,678	1.08	0.97	1.13	1.22	Broadly stable at relatively high levels³
Total Group	0.92	13,899	2.28	2.23	2.20	2.13	Non-Core accounting for two-thirds of group charges

Core impairments by division³, £bn



¹ Impairments as a % of L&A excludes AFS ² Includes Wealth, GTS, RBS Insurance and Central Items. ³ Includes AFS impairments



Non-Core results

Non-Core performance



	FY09 £m	FY08 £m	FY09 vs FY08 £m	Q409 £m	Q409 vs Q309 £m
Net Interest Income ¹	1,534	2,156	(622)	578	291
Non Interest Income	(3,835)	(5,188)	1,353	(470)	(237)
<i>o/w Trading revenues</i>	(5,161)	(7,739)	2,578	(781)	(202)
Total Income	(2,301)	(3,032)	731	108	54
Operating Expenses	(2,447)	(2,683)	236	(685)	(159)
Claims	(588)	(700)	112	(148)	(22)
Loss before Impairment Losses	(5,336)	(6,415)	1,079	(725)	(127)
Impairment Losses	(9,221)	(4,936)	(4,285)	(1,811)	255
Operating Profit/(Loss)	(14,557)	(11,351)	(3,206)	(2,536)	128
TPAs ² , £bn	221	343	(122)	221	(12)
RWAs, £bn	171	171	-	171	(29)

- Losses from trading assets declining as asset prices rally
- Impairment and operating loss declined second consecutive quarter
- Good progress on risk and balance sheet reduction

¹ Net interest income from banking activities

² Including derivatives and Sempra

Non-Core impairments¹

	FY08 %L&A	FY09 £m	FY09 % L&A	H109 % L&A	H209 % L&A	Q409 % L&A	FY09 Key Sector Impairments:
UK Retail	3.23	53	2.06	2.34	1.48	1.09	Largely unsecured personal
UK Corporate	1.38	1,677	4.81	5.89	3.35	3.90	Property & construction £637m, 38% of total
Ulster Bank	2.38	1,384	8.27	5.97	10.76	6.98	Property £1bn, 74% of total
US R&C	3.85	1,079	9.75	9.30	9.13	7.60	SBO/Home Equity £445m, 41% of total
GBM	2.11	4,727	4.92	4.93	4.30	4.10	Manufacturing & Property (£1.4bn each), 60% of total
Other	3.23	301	9.26	7.97	7.84	6.55	Mainly Asia Retail & Commercial,
Total	2.18	9,221	5.66	5.61	5.18	4.63	Signs of stabilisation in NPLs as books mature & economy improves; though we expect impairments to remain elevated.

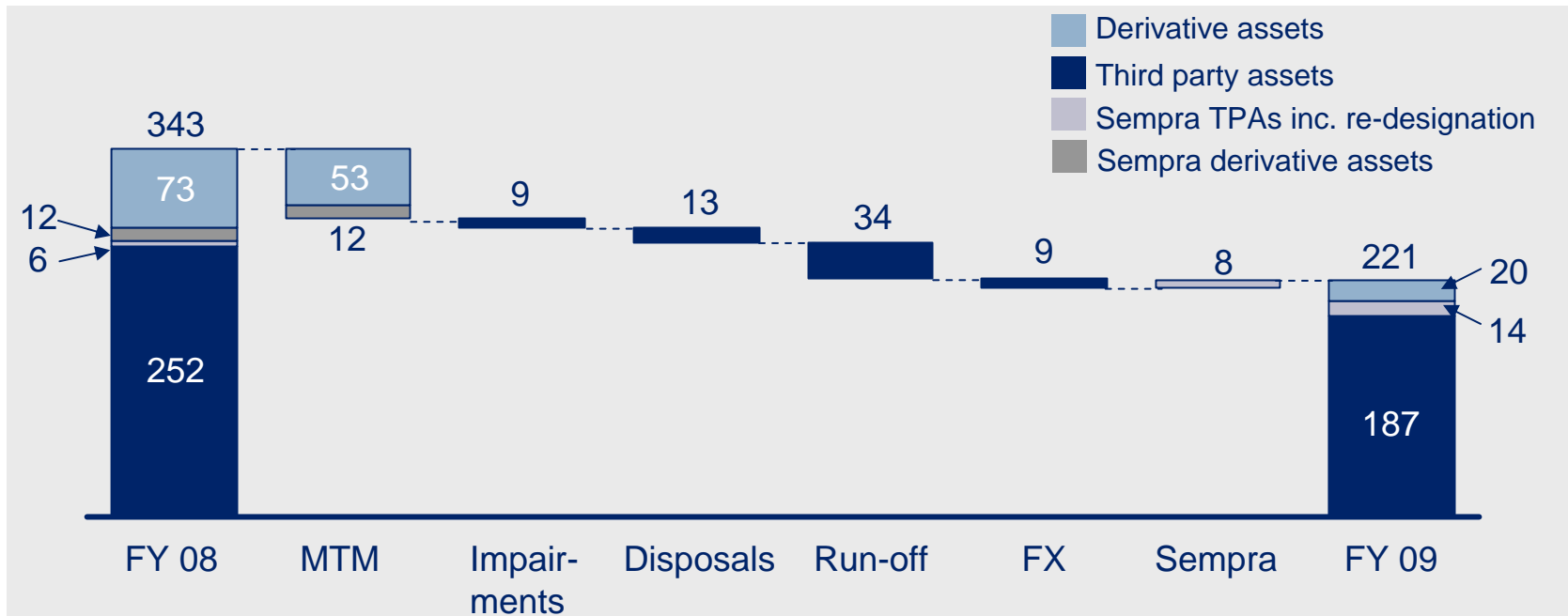
Non-Core impairments by asset type Q408, Q309 & Q409², £bn



¹ Excludes AFS impairments. ² Includes AFS impairments.

Non-Core run-off

£bn



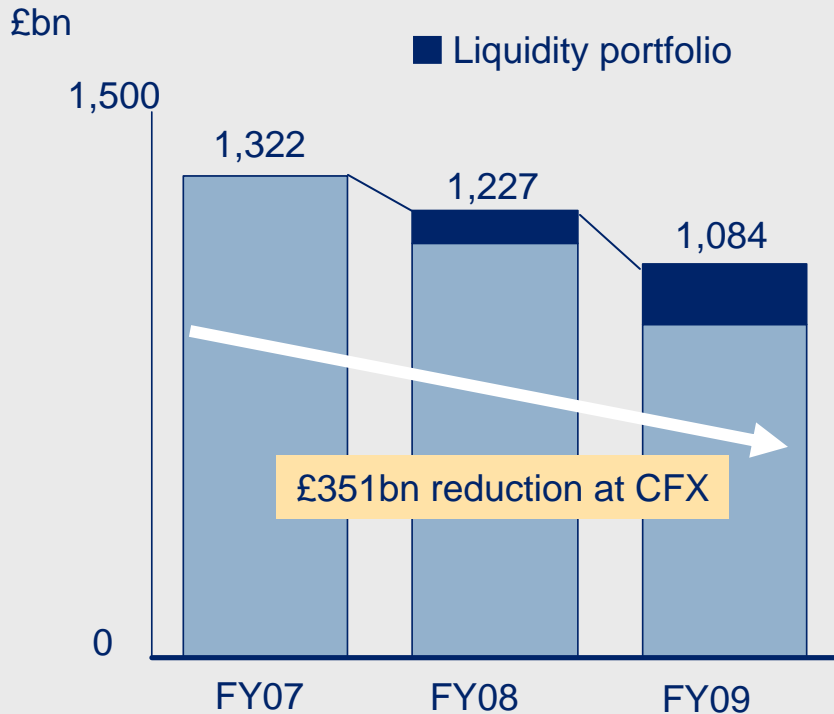
- Funded TPAs (ex Sempra) declined by 26% during the year
- MTM derivative assets (ex Sempra) decreased by £53bn during 2009 largely as a result of narrowed spreads
- Run-off and disposals accounted for another £47bn



Funding & Capital

Ongoing de-leveraging

Funded balance sheet road map FY07 - FY09



Key Ratios

	FY 2008	FY 2009
Leverage ratio ¹	21.2x	17.0x
Tangible common equity ratio ²	2.4%	5.2%
Tangible equity per share	73.8p	51.3p
Core Tier 1 Ratio	5.9%	11.0%

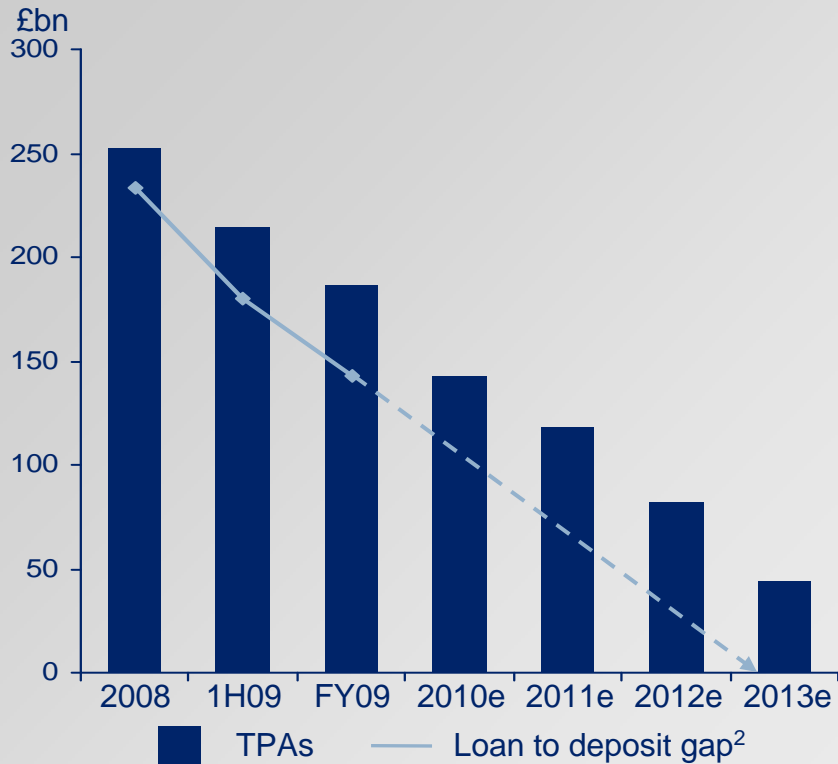
- Total BS decreased by £696bn from peak despite £81bn increase in liquidity portfolio to £171bn
- Funded BS lower by £351bn at CFX since 2007
- Leverage ratio of 17.0x, TCE ratio of 5.2%

¹ Tier 1 leverage ratio is based on total tangible assets (after netting derivatives) divided by Tier 1 capital

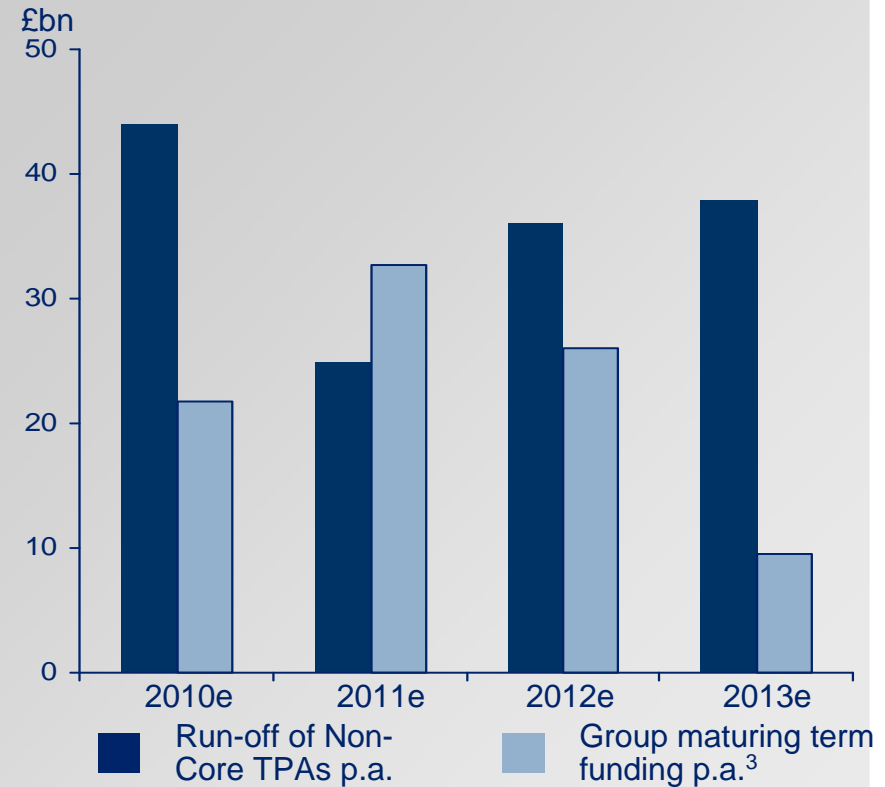
² Tangible equity leverage ratio is based on total tangible equity divided by total tangible assets (after netting derivatives)

Funding and Liquidity

Non-Core third party assets (TPAs excl MTMs) run-off targets¹ trend with the Group Loan:Deposit gap



Refinancing requirement outweighed by run-off in Non-Core third party assets²



- The reduction in the loan:deposit gap is expected to continue trending closely with the run-off of Non-Core third party assets
- The future refinancing requirement of wholesale funding is significantly outweighed by the level of run-off from Non-Core TPAs

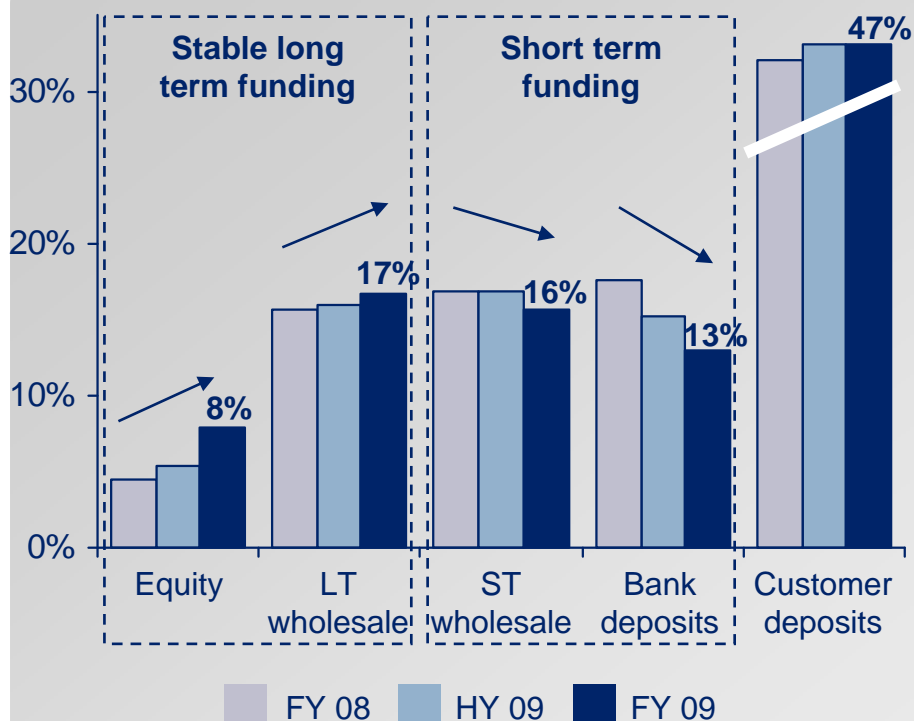
¹ Run-off at constant year-end 2008 FX rates

² Net customer loans less customer deposits excluding repos

³ Maturing term funding includes government guaranteed MTNs, unguaranteed MTNs and subordinated debt. Figures exclude RBS NV (£15bn total) which has yet to complete Legal Separation

Funding and Liquidity

Evolution of Group funding mix towards more stable long-term funding sources¹



Key Funding Metrics			
	FY08	H109	FY09
Loan:deposit ratio (Group) ²	151%	143%	135%
Core	118%	110%	104%
Loan:deposit gap (Group) ³	£233bn	£180bn	£142bn
Core	£80bn	£41bn	£16bn
Liquidity reserves	£90bn	£121bn	£171bn
Of which central govt bond portfolio:	£1bn	£7bn	£20bn
Net Stable Funding Ratio ⁴	79%	83%	90%
Wholesale funding > 1 year ⁵	45%	47%	50%

- Continued progress on reducing reliance on short term wholesale funding markets – c. £21bn of unguaranteed issuance in 2009 (GBP equivalent)
- Strengthened liquidity reserves with significant increase in government bonds
- Improved net stable funding ratio from 79% to 90%

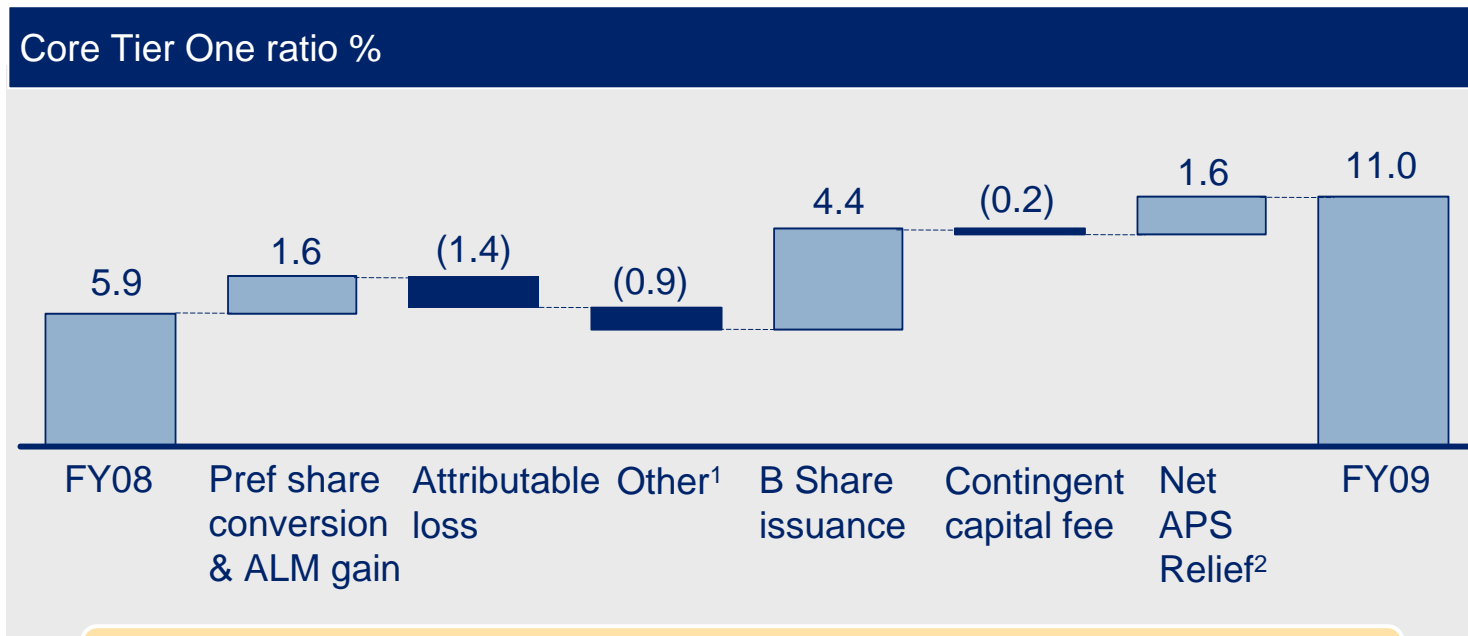
¹ Excludes repos, derivatives and other assets

² Net of provisions

³ Net loans & advances to customers less customer deposits (excluding repos)

⁴ Net Stable Funding Ratio measures the level of net stable funding divided by long-term assets

⁵ Excluding bank deposits



- B Share issuance, APS overlay and ALM gain drove increase to 11.0%
- Contingent capital fee taken as up front cost

¹ Includes increased capital deducts, Bank of China disposal, Pension gains, RWA increase and FX

² RWA relief partially off-set by associated capital deduction under BIPRU9 rules



Managing Risk

Key progress

Underlying RWAs decreased by 4% in Q409, post APS RWAs lower by 26%

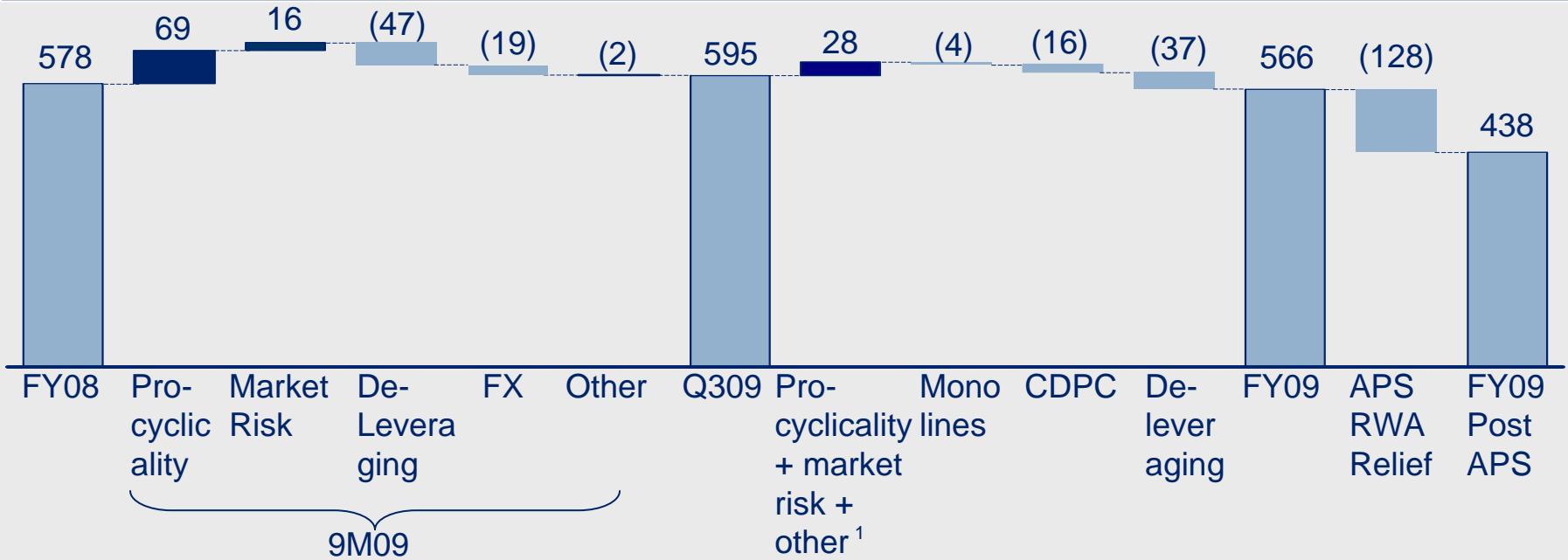
Portfolio quality stable across Core & Non-Core

Underlying cases into Global Restructuring Group have declined

Good progress on reducing credit risk concentrations

RWA progression

RWA movements, £bn



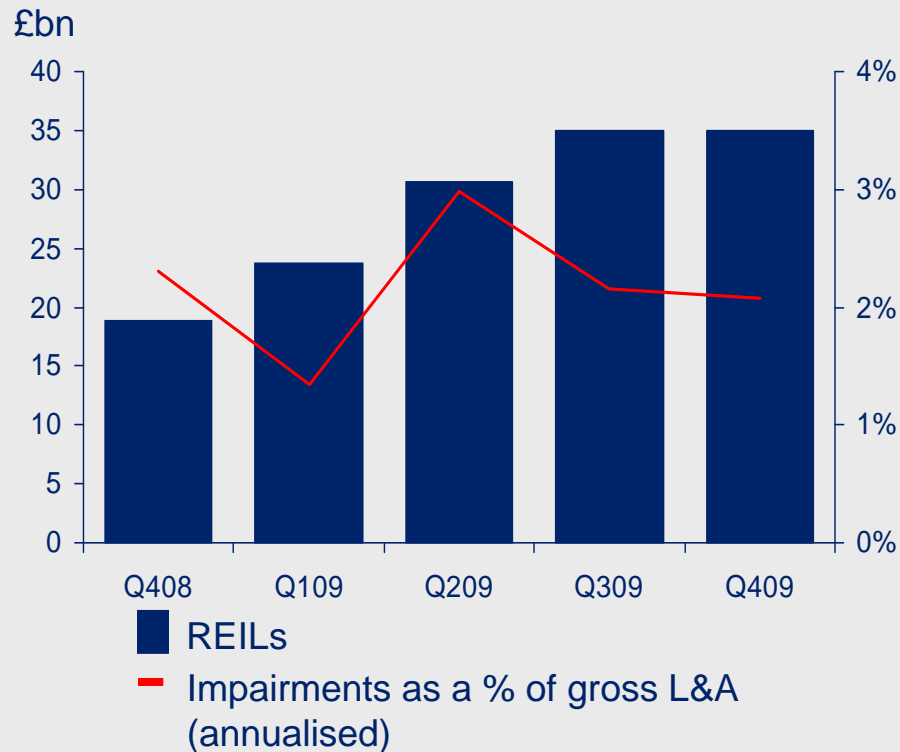
RWA outlook - incorporates mitigation:

- 2010: Impact of migrating ABN AMRO to RBS Basel II platform (inc loss of relief trades) could drive a c. £15bn uplift in RWAs
- 2011: Market risk & securitisation treatment c. £60bn

¹ Includes FX and loss of relief trades

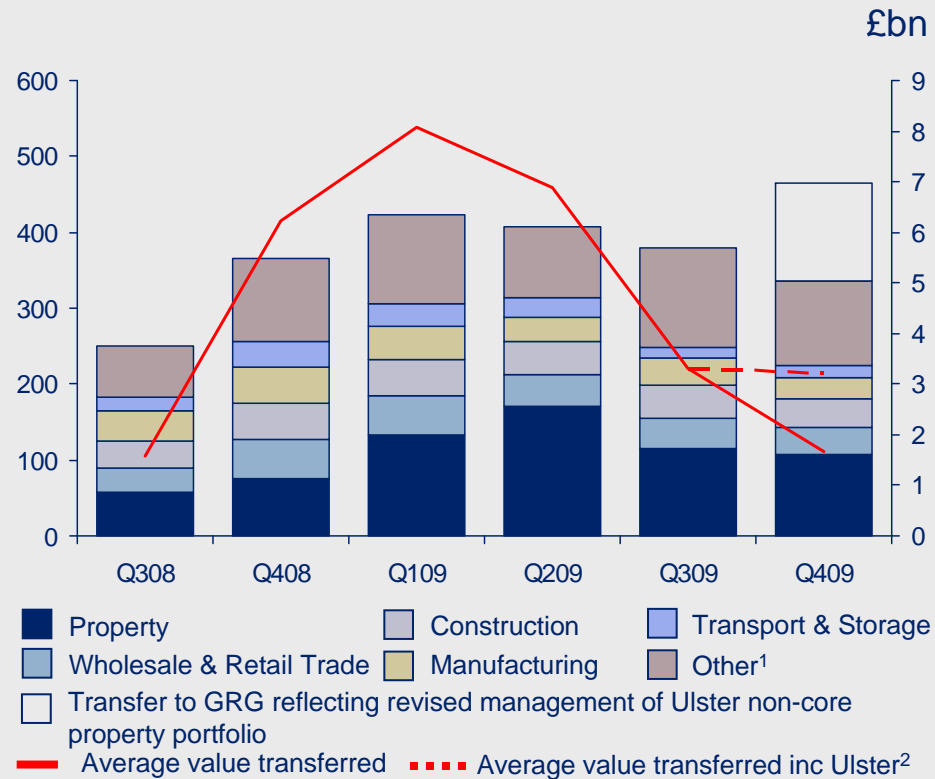
Impairments outlook

Group credit trends, Q408 - Q409



- Impairments elevated but likely to have peaked in Q2
- REILs still high but were flat Q4/Q3

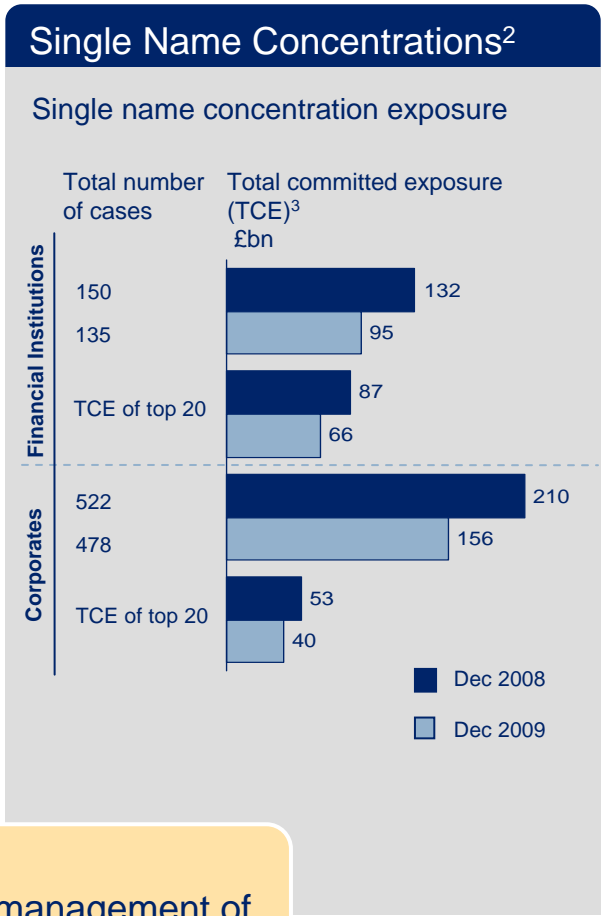
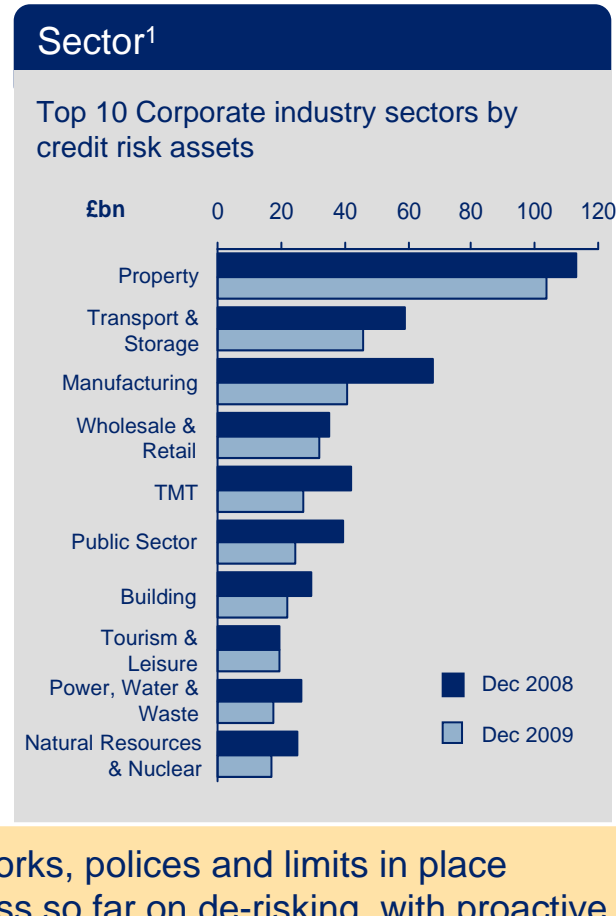
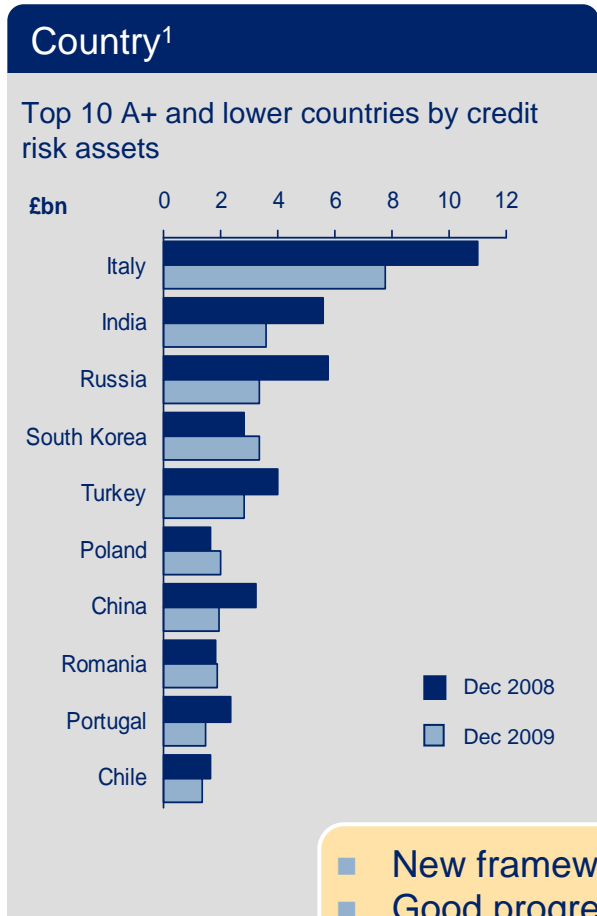
No. & value of wholesale cases transferred to Recoveries Units globally, Q308-Q409 (monthly average)



- Property and construction still the most prominent sectors
- Underlying trends demonstrate reduction in volume and value of transfer cases

¹ Other is spread across a large number of sectors and includes TMT, Tourism & Leisure and Business Services

Reducing credit risk concentrations



- New frameworks, polices and limits in place
- Good progress so far on de-risking, with proactive management of both core and non-core exposures
- Reduced concentrations overall
- However, more remains to be done

1 Country and Sector charts are based on Credit Risk Assets – see Report and Accounts for further details. Country chart shows ten largest countries rated A+ or below by domicile of borrower.
 2 A new single name concentration framework was put in place in H109. This framework sets graduated appetite levels according to counterparty credit ratings. The chart shows names that are in breach of the framework.
 3 TCE (total committed exposure) includes both credit and counterparty risk. Total wholesale TCE group-wide as of year end 2008 = £1,087bn and at year-end Dec-09 = £872bn

▶ Strength of Core franchise confirmed in 2009 – operating profit +89%

▶ Q409 NIM strengthening following downward pressure earlier in 2009, outlook positive

▶ Group impairments show evidence of having reached peak

▶ Robust capital position – Core Tier 1 of 11.0%

▶ Balance sheet risk reduced - total assets decreased by £696bn in 2009

▶ Rebound in Retail & Commercial business, along with lower Non-Core losses, will benefit 2010 performance



Questions?



Appendix

Strategic Plan

APS

Non-Core

Risk

GBM

UK Retail

UK Corporate

US Retail & Commercial

Ulster Bank

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**

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

Core Bank – Divisional targets & plans



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.	<60	<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

Strategic Plan

APS

Non-Core

Risk

GBM

UK Retail

UK Corporate

US Retail & Commercial

Ulster Bank

Asset Protection Scheme

- Up and running. Administrative burden
- End 2009 £230bn covered assets, £128bn RWAs,
- 1.6% benefit to CT1 ratio
- Don't expect any net payout from APS (i.e. to exceed £60bn first loss net of recoveries)
- Targeting cancellation 2012-13 subject, inter alia, to regulation and FSA approval

£8bn Contingent Capital

- No benefit to capital ratios. Benefit to FSA stress test. 4% p.a. “cost”
- Do not expect to utilise. Targeting cancellation when permitted by FSA

“B” Shares and Dividend Right

- “B” Shares (51bn) same as Ordinary Shares (56.4bn), except non-voting. Can convert at any time subject to HMT 75% voting ceiling
- Dividend post 2012 (at RBS's discretion) – higher of 7% or 250% of Ordinary dividend
- Dividend right falls away when share price above 65p for 20 days¹.

¹ For 20 or more complete dealing days in any period of 30 consecutive dealing days when the parity value reaches 65p or more

Terms of APS

- APS and related measures designed to enable RBS to meet FSA “stress tests”
- Protection of defined asset pools effective from 1 Jan 2009
- £60bn first loss
- Second loss shared 90% to HMT, 10% to RBS
- Minimum £2.5bn fee over life of scheme
- £25.5bn issue of “B” shares at 50 pence per share, £8bn contingent reserve of “B” shares from December 2009

Pro forma capital impact

- APS provides regulatory capital relief on RWAs for insured assets, benefit running off as Non-Core runs down and covered assets mature
- Core Tier 1 (CT1) capital increased by £25.5bn issuance of “B” Shares to HMT
- CT1 benefit reduced by fee and increased by any losses absorbed by HMT
- Regulatory deduction from CT1 at 50% of unused first loss provision
- Benefit to Core Tier 1 at 31 December 2009 of 5.8% (B Share issue and RWA relief net of contingent capital fee)

Strategic Plan

APS

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UK Corporate

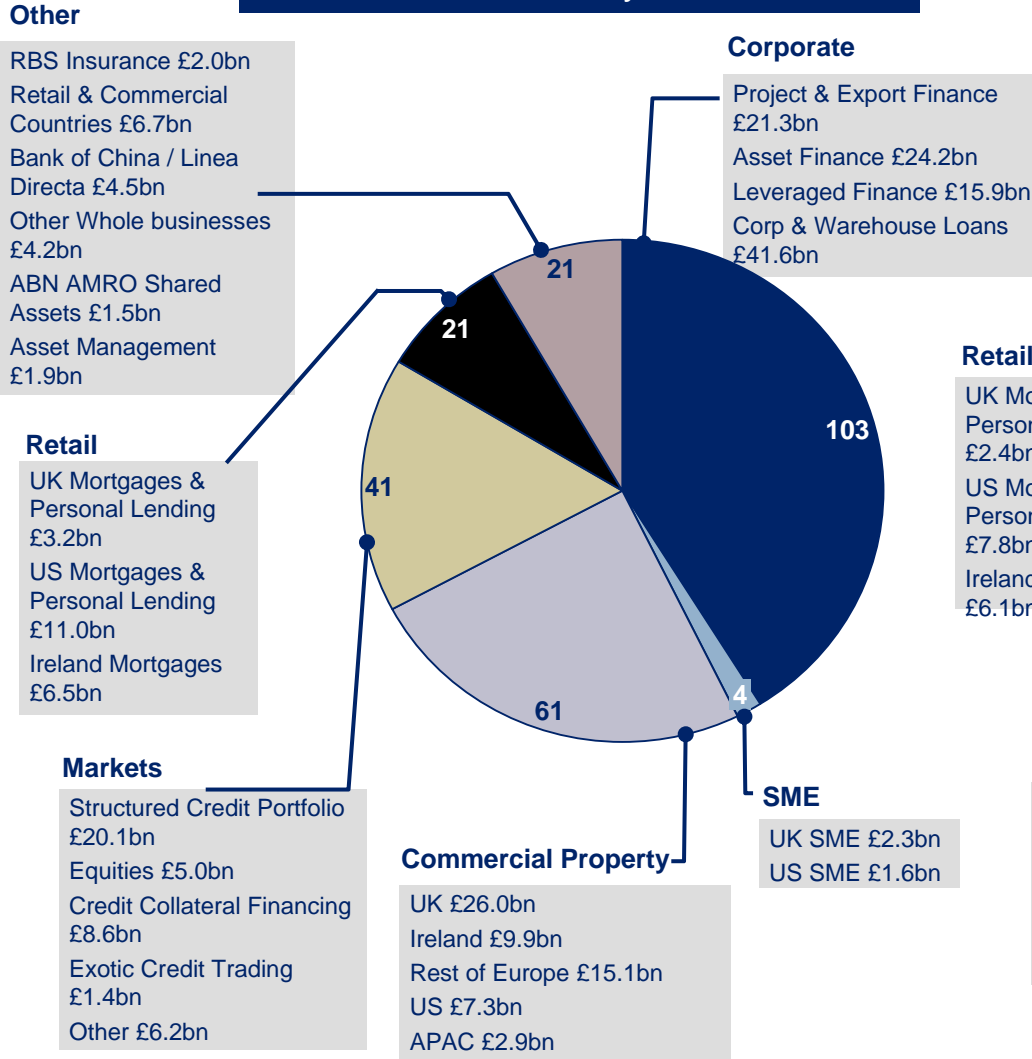
US Retail & Commercial

Ulster Bank

Non-Core make up by division

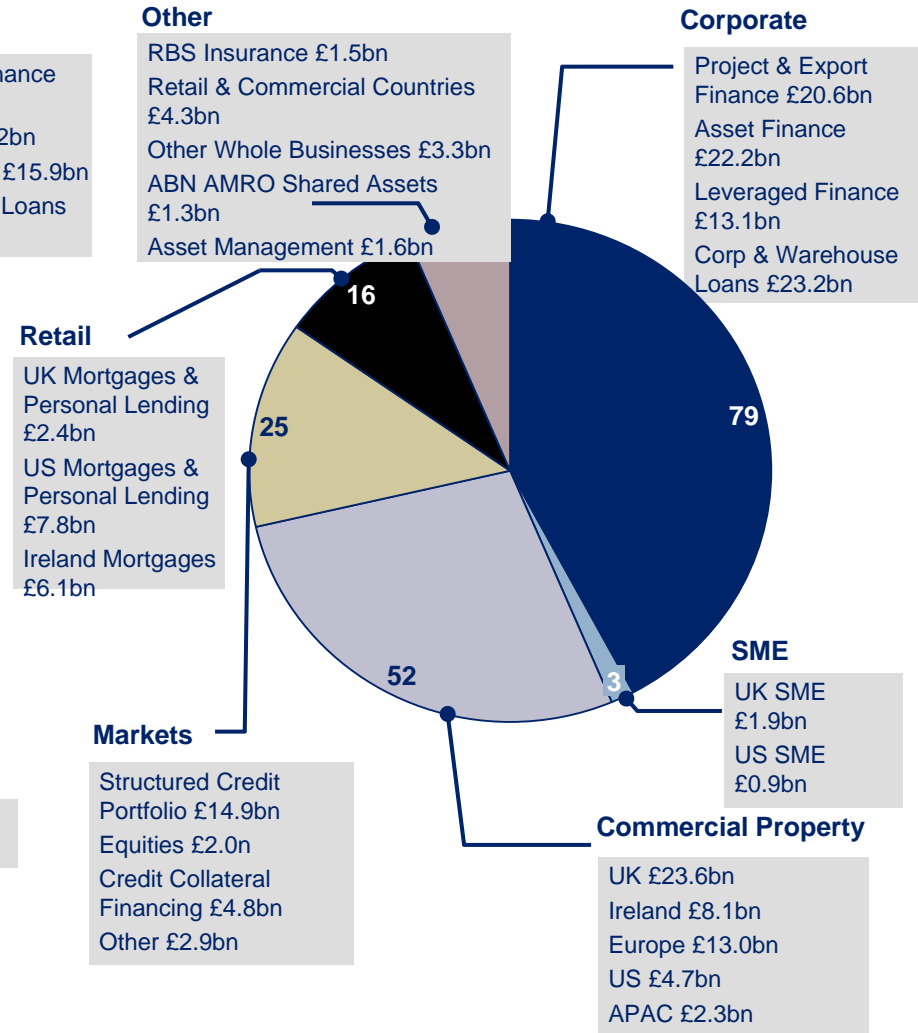


2008 Y/E TPAs¹ by asset class



Total Assets = £252bn

2009 Y/E TPAs¹ by asset class

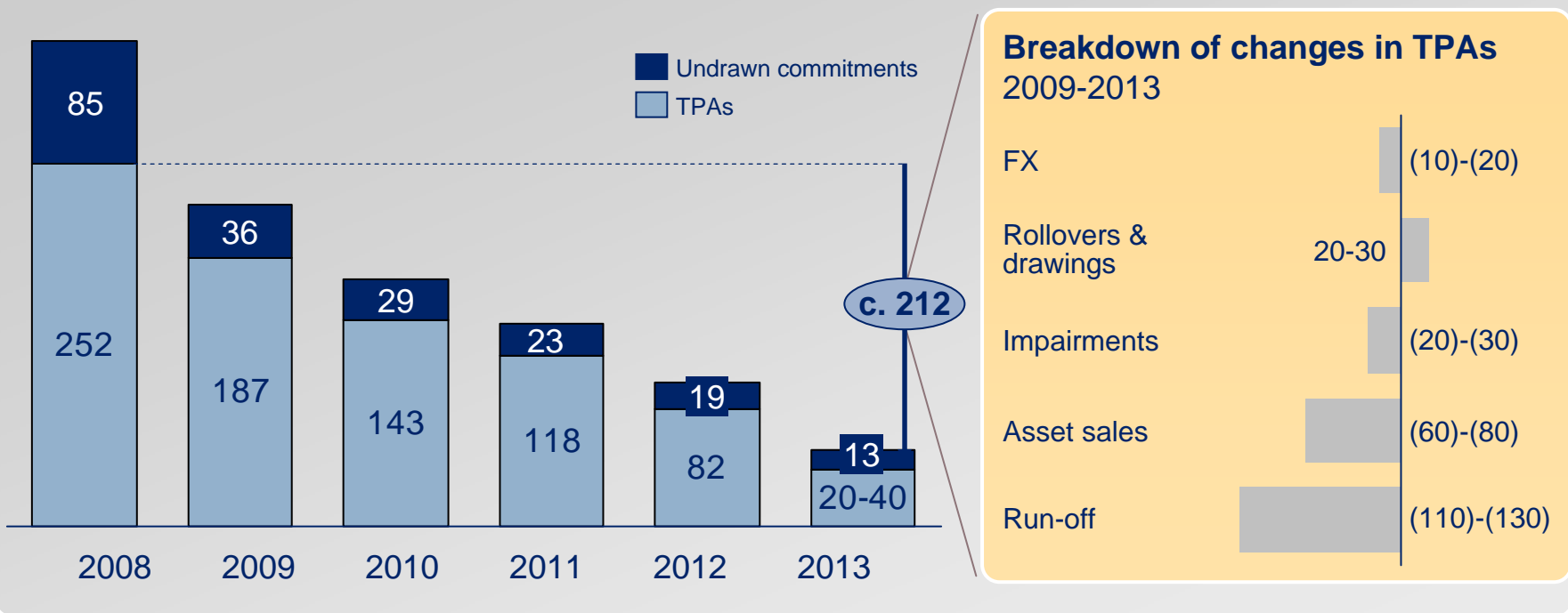


Total Assets = £187bn

¹ Excluding MTM derivatives and Sempra

Non-Core revised run-off targets

Non Core third party assets (TPAs excluding derivatives & Sempra) run-off targets, £bn



- Plan revised to reflect removal of c. £30 billion APS securitisation, which is no longer viable under final terms of APS
- FY 2013 targets revised to £20-40 billion, reflecting removal of securitisation that is partially offset by additional sales
- Sales selected for pricing and capital preservation

Strategic Plan

APS

Non-Core

Risk

GBM

UK Retail

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US Retail & Commercial

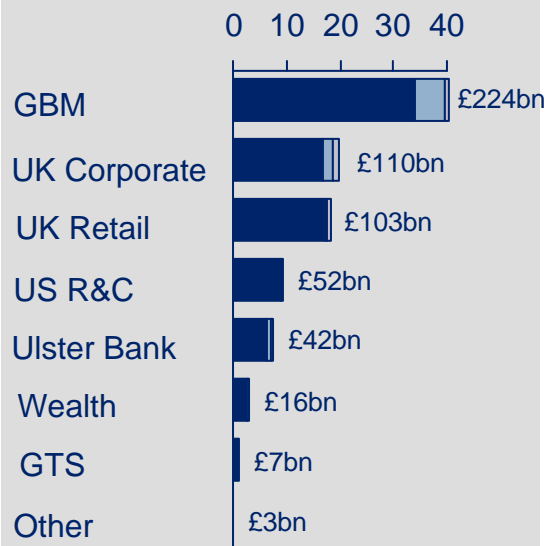
Ulster Bank

Portfolio quality – Core overview



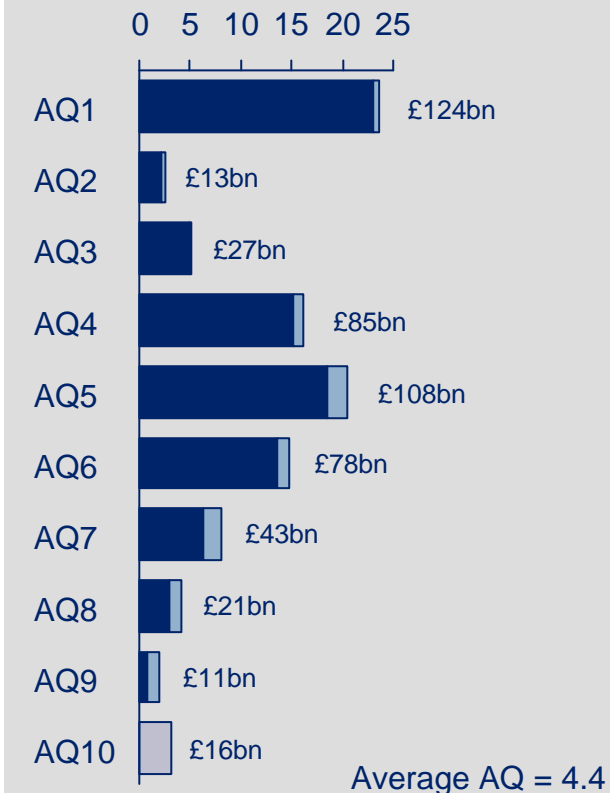
Exposure by division

Portfolio by division, %



Exposure^{1,2} risk rating

Portfolio by grade, %



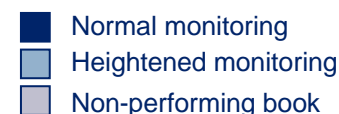
Portfolio performance

£bn	FY 2009	HY 2009
Normal monitoring	491	493
o/w Financial institutions	129	107
o/w Corporates and Personal	362	386

Heightened monitoring	50	72
o/w Financial institutions	12	27
o/w Corporates and Personal	38	45

Defaulted assets	16	13

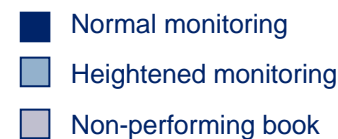
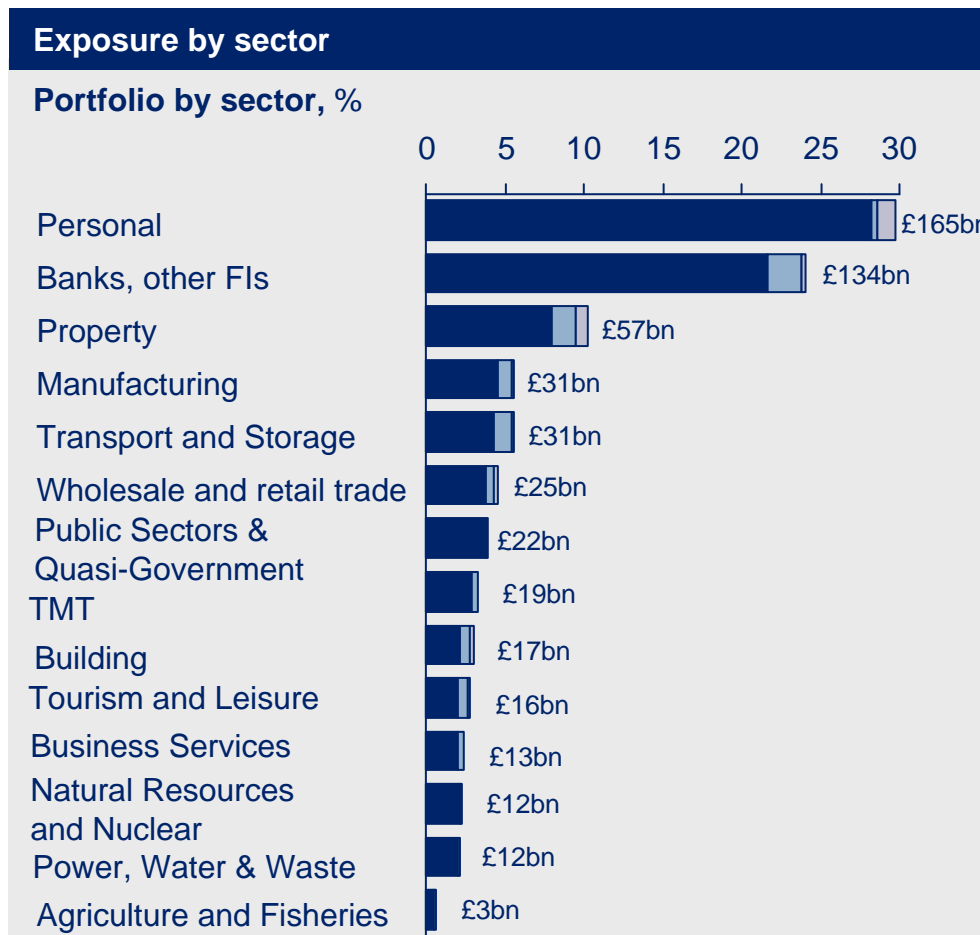
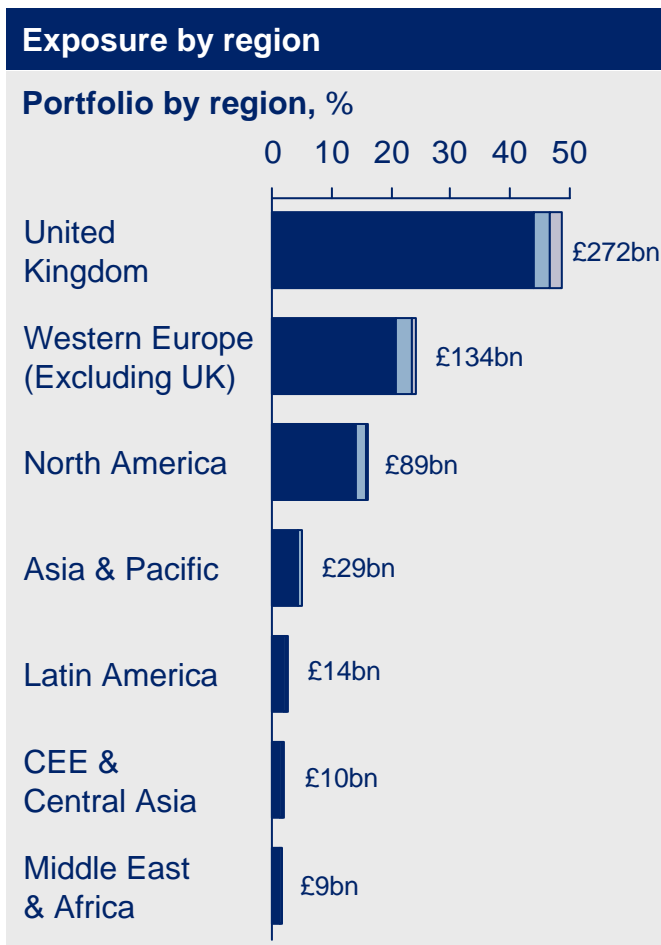
Total	557	578



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

2 A further £31bn of assets are covered by the standardised approach for which a PD equivalent to those assigned to assets covered by the internal ratings based approach is not available.

Core portfolio quality – by region and sector



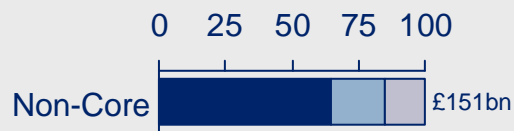
1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types

Portfolio quality – Non-Core overview



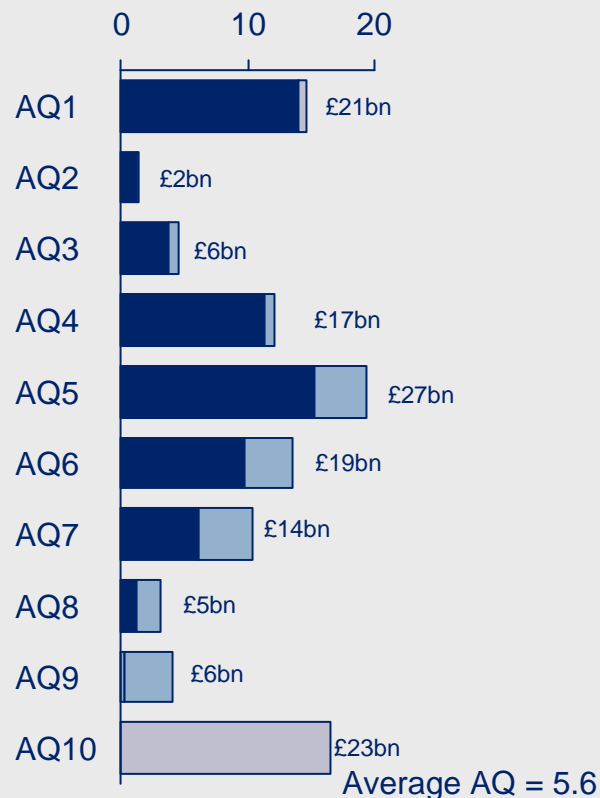
Exposure by division

Portfolio by division, %



Exposure¹ risk rating

Portfolio by grade, %



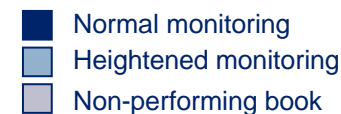
Portfolio performance

£bn	FY 2009	HY 2009
Normal monitoring	98	98
o/w Financial institutions	13	10
o/w Corporates and personal	85	88

Heightened monitoring	30	41
o/w Financial institutions	6	8
o/w Corporates and Personal	24	33

Defaulted assets	23	21

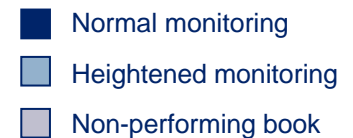
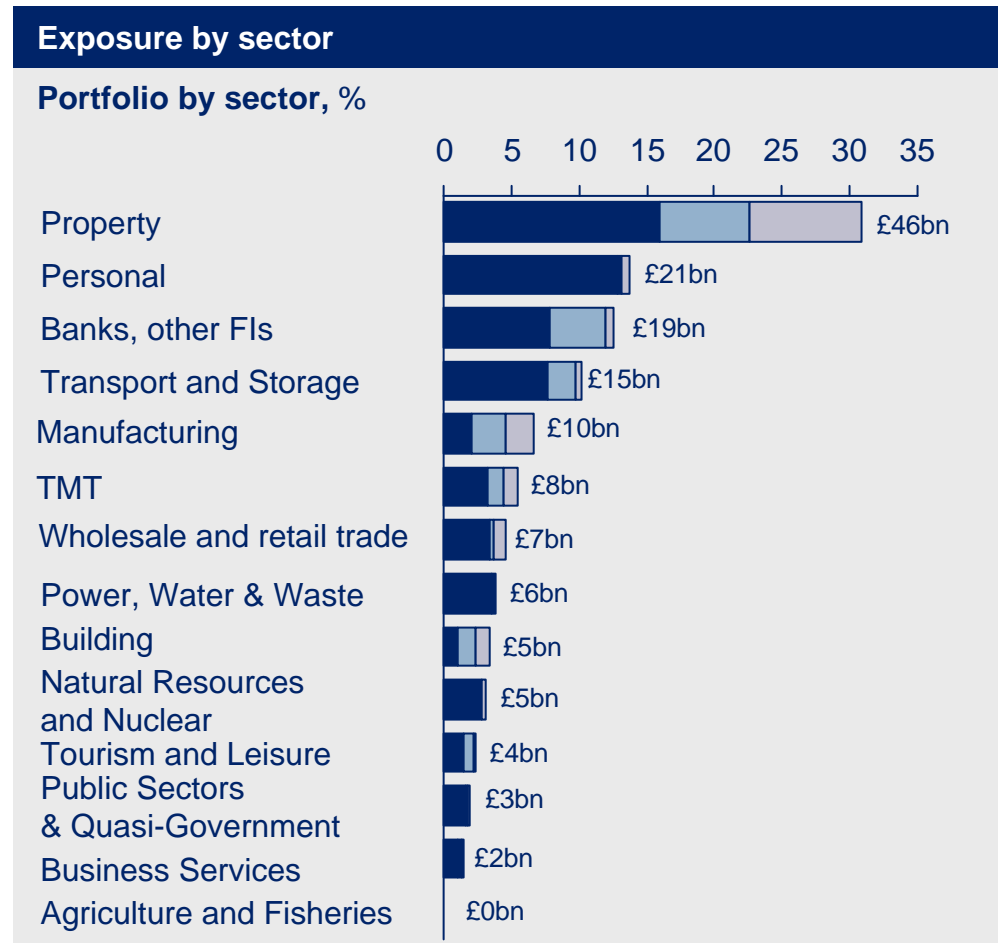
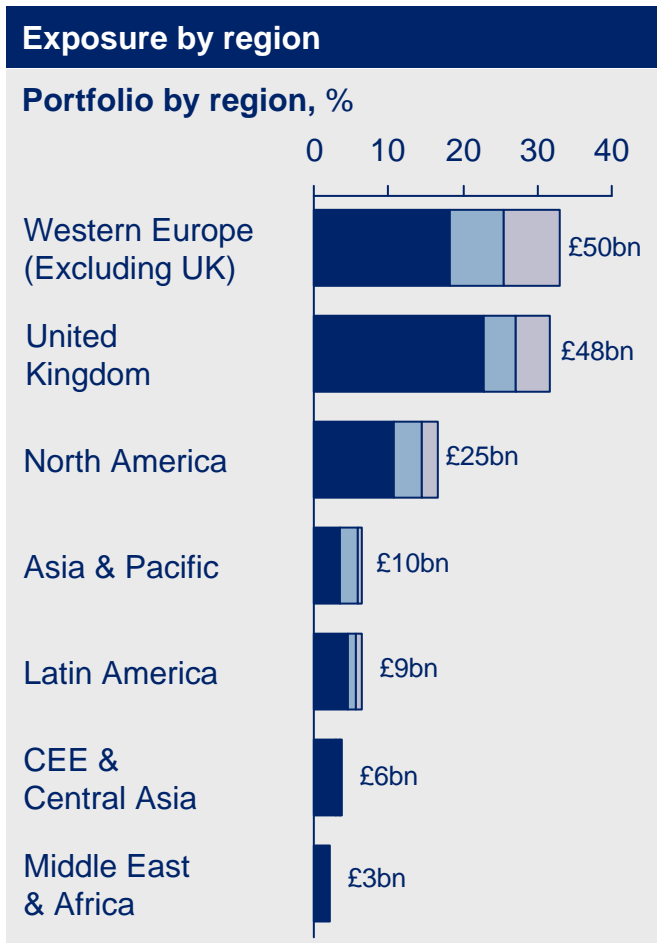
Total	151	160



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

² A further £11bn of assets are covered by the standardised approach for which a PD equivalent to those assigned to assets covered by the internal ratings based approach is not available.

Non-core portfolio quality – by region and 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

Defaulted assets¹ by region



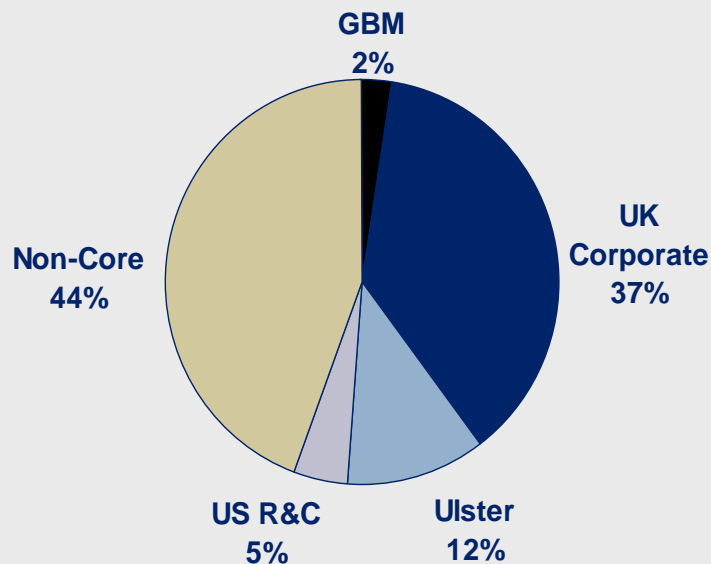
	2009							2008
	United Kingdom	Western Europe (ex UK)	North America	Rest of the World	Total	Core	Non Core	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Property	7.4	7.4	0.1	1.5	16.4	4.0	12.4	5.4
Personal	5.4	1.3	0.3	0.0	7.0	6.1	0.9	5.1
of which								
<i>Lending</i>	3.0	0.4	0.0	0.0	3.4	3.0	0.4	2.8
<i>Mortgage</i>	1.8	0.9	0.3	0.0	3.0	2.5	0.5	1.7
<i>Credit Cards</i>	0.6	0.0	0.0	0.0	0.6	0.6	-	0.5
Manufacturing	0.5	0.3	2.5	0.3	3.6	0.7	2.9	0.8
Building	1.8	0.6	0.0	0.1	2.5	1.0	1.5	1.9
Wholesale and retail trade	0.8	0.4	0.8	0.1	2.1	0.9	1.2	0.4
TMT	0.2	0.3	1.4	0.1	2.0	0.4	1.6	0.3
Banks and Financial Institutions	0.4	0.4	0.7	0.3	1.8	0.8	1.0	1.6
Other	1.6	1.5	0.2	0.7	4.0	2.4	1.6	3.7
Total 2009	18.1	12.2	6.0	3.1	39.4	16.3	23.1	
Total 2008	10.0	5.6	1.7	1.9				19.1

Excludes EME and Asia retail portfolios
¹ Does not tie directly with Non-performing loans

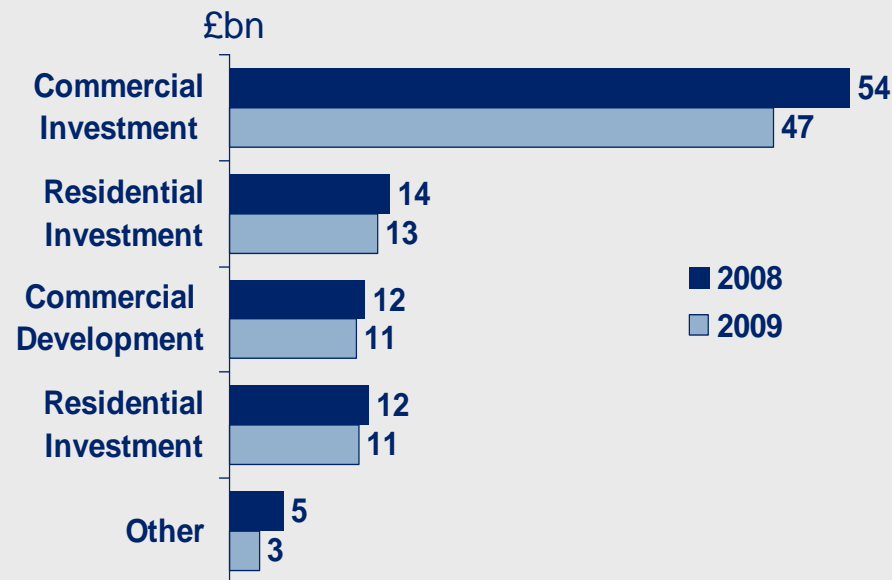
CRE exposure

Global portfolio as at 31/12/09: £85bn, (£97bn FY08)

By Division:



By sector:



- Global portfolio was reduced by £11.5bn (12%), in 2009
- 'Speculative' lending just c1%
- GBM interest cover ratio (ICR) 1.60x¹, UK Corporate ICR 1.64%¹
- Average LTV 91%²
- Market liquidity remains low – extensions negotiated with improved terms
- Lending structured with focus on cashflow and strong tenants; covenant renegotiations addressing LTV rather than interest coverage

¹ Includes Core and Non-Core portfolios

² LTV based on applying property index movements to update valuations

Strategic Plan

APS

Non-Core

Risk

GBM

UK Retail

UK Corporate

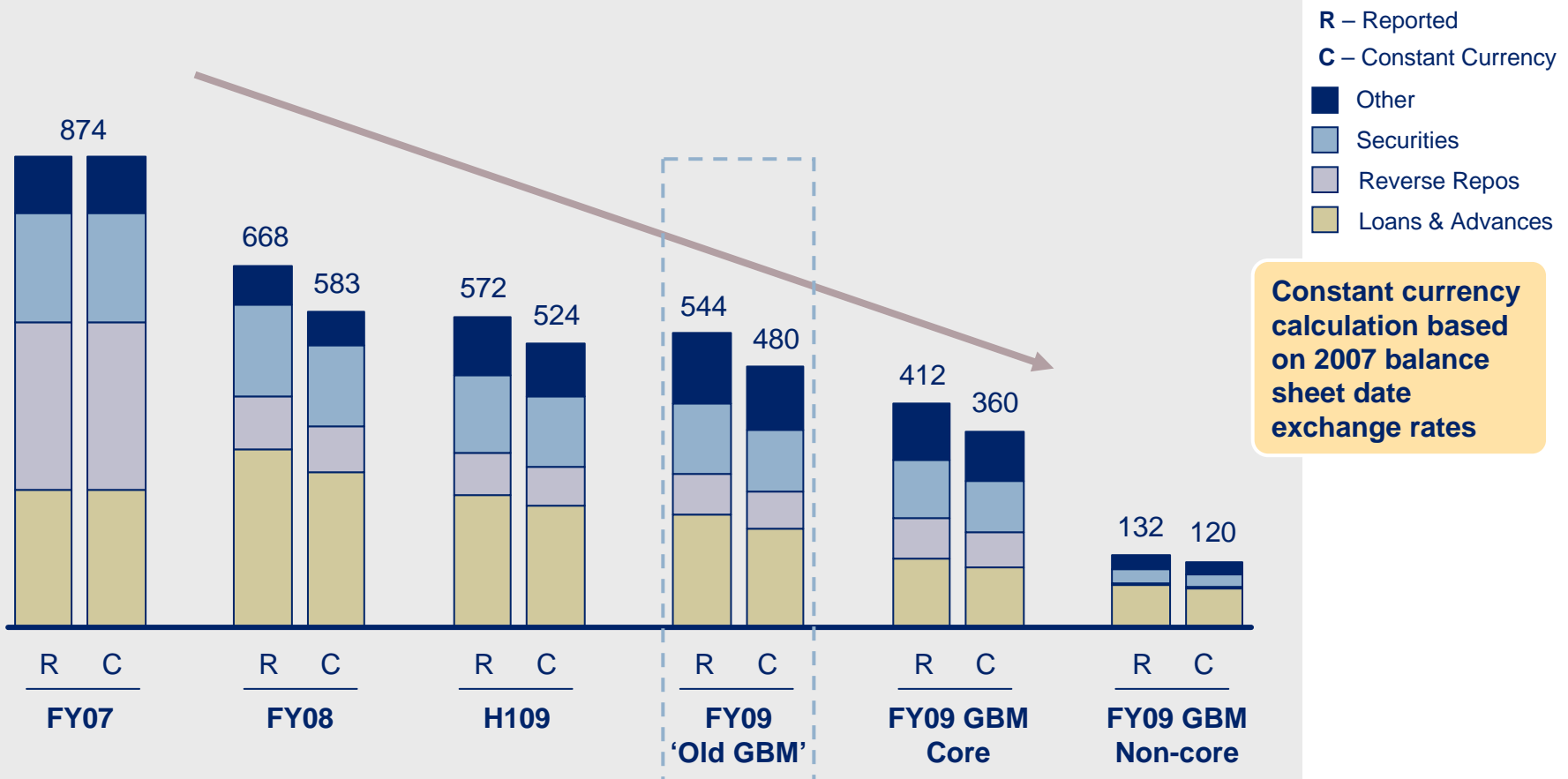
US Retail & Commercial

Ulster Bank

GBM Balance Sheet



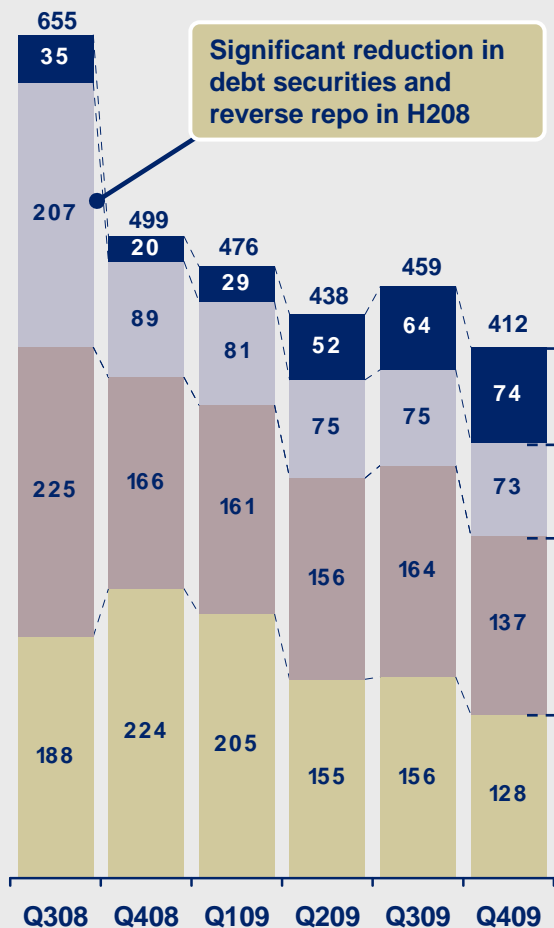
GBM balance sheet – Continued focus on de-leveraging, £bn



GBM Balance Sheet Detail



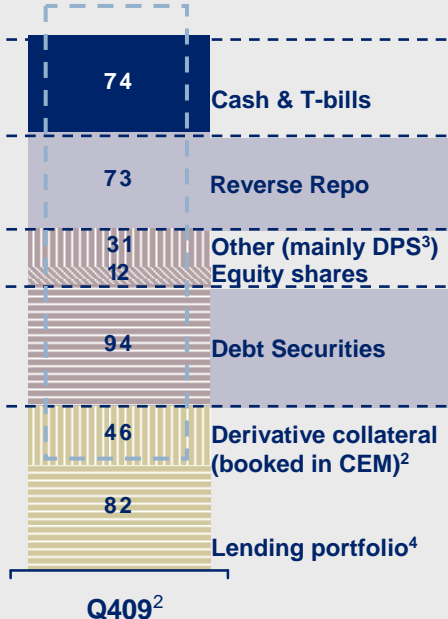
GBM Core Assets



Significant reduction in debt securities and reverse repo in H208

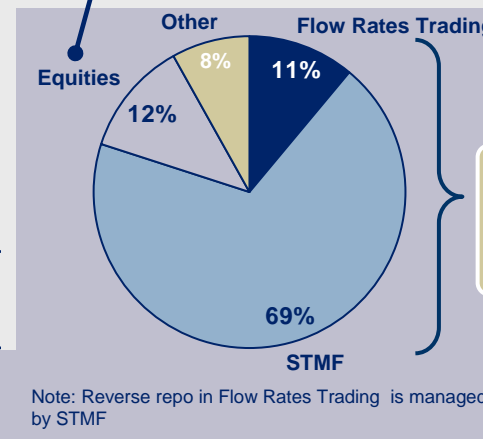
Proportion of liquidity in GBM Core Assets (Q409)

80% of GBM Core Assets in Q409 are liquid assets



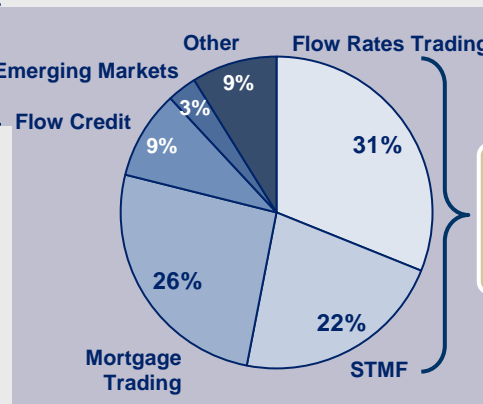
Debt Securities & Reverse Repo held by businesses

Also highly liquid



STMF¹ + Flow Rates Trading = 80%
These are high grade, very short term assets

Note: Reverse repo in Flow Rates Trading is managed by STMF



STMF + Flow Rates Trading = 53%
These are high grade debt securities

¹ Short Term Markets and Financing ("STMF") includes repo financing and Money Markets.

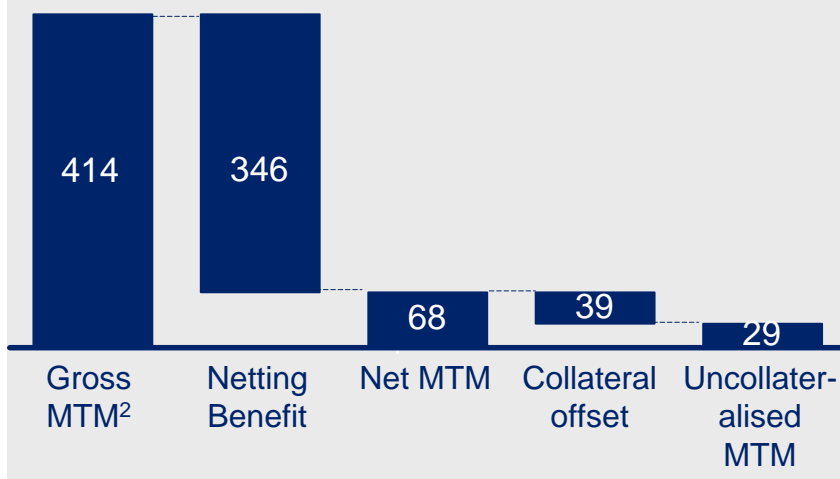
² Cash collateral posted in relation to derivative liabilities across GBM.

³ Deals pending settlement

⁴ Lending portfolio also includes a proportion of assets that could be liquidated swiftly, prices depend on market conditions.

GBM – Derivative trading assets¹

Derivatives – Majority is flow product in liquid markets; £bn



Asset (Gross MTM)	£bn		% Chg
	FY09	FY08	
Interest rate	323	641	(50%)
Currency	65	159	(59%)
Credit derivatives	21	85	(75%)
Equity	5	10	(50%)
GBM Total³	414	895	(54%)

Uncollateralised Derivative Portfolio	FY09 £bn	FY08 £bn	% Chg
Government	2.2	8	(75%)
Investment Grade	15.0	48	(69%)
Monolines & CDPCs	-	17	(100%)
Non-Investment Grade	11.9	23	(48%)
Total	29.1	96	(70%)

70% decline in position driven by

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

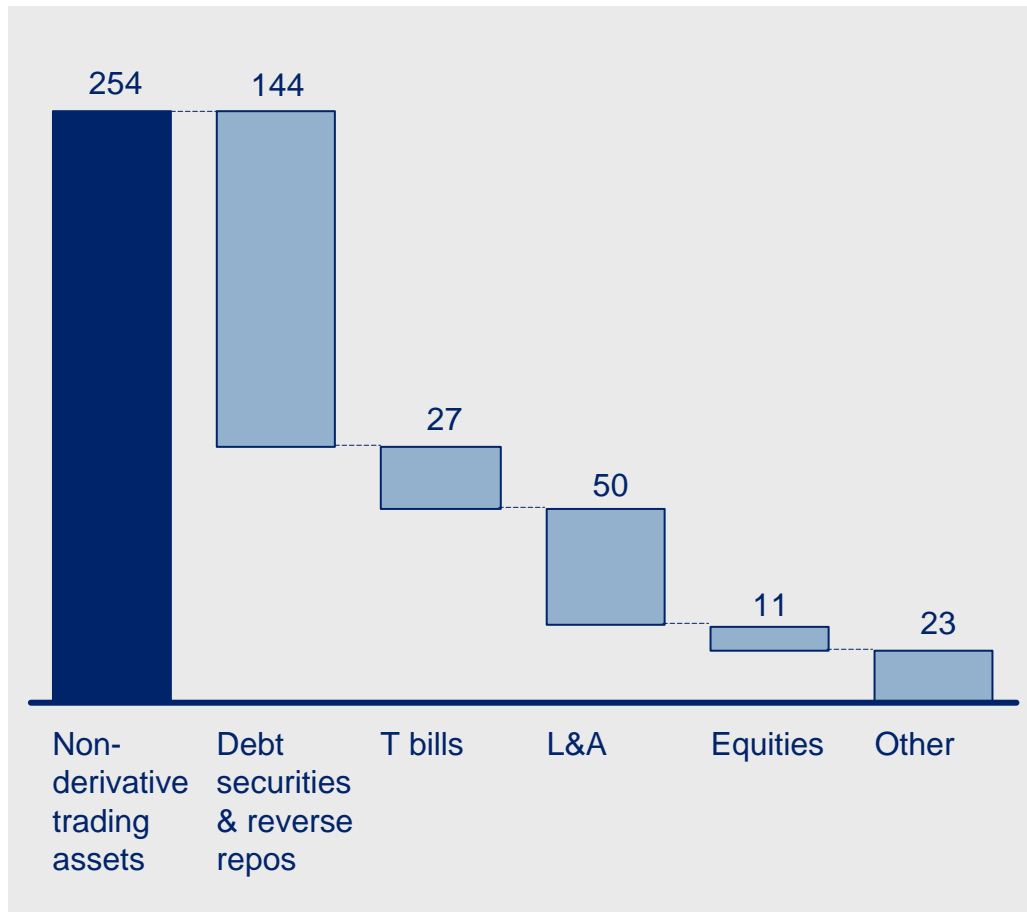
¹ Excludes Non-Core Credit Derivatives of £19bn

² Gross MTM is the MTM post LCH Netting, Net MTM is the MTM post legal netting applied in RBS GBM credit management systems

³ Non GBM including Sempra Commodity derivatives (£12bn) excluded

GBM – Non-Derivative trading book assets

£bn

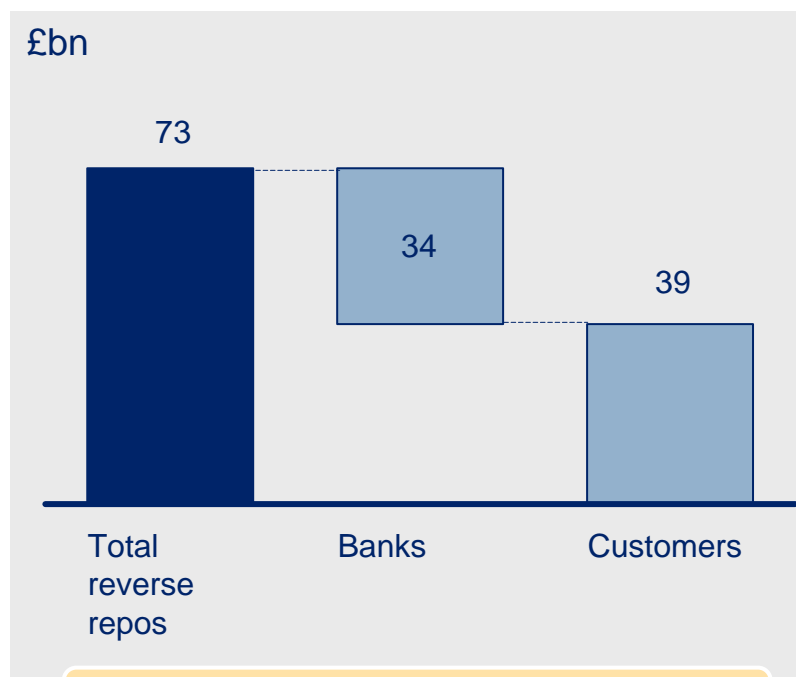


Asset	FY09 £bn	FY08 £bn	% change
Debt securities	74.2	94.2	(21%)
Reverse repos ¹	69.5	90.1	(23%)
T Bills	26.5	16.0	66%
Loans & advances	50.3	54.8	(8%)
Equities	10.7	10.8	(1%)
Other	22.7	25.3	(10%)
GBM Core²	253.9	291.3	(13%)

¹ Trading book reverse repos

² Excludes Non-Core portfolio of £32.5bn

GBM – Reverse repos¹



Only 4% of portfolio (£2.9bn) in Non-Core

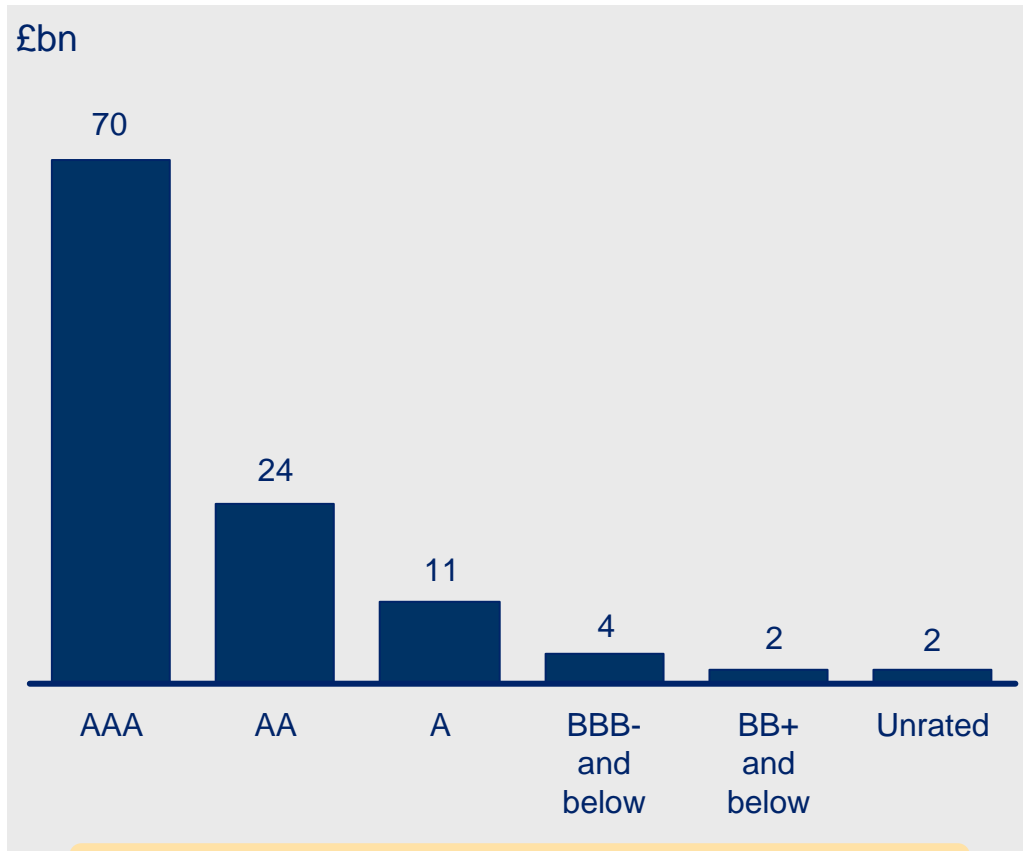
Exposure by counterparty	FY09 £bn	FY08 £bn	% change
Reverse repos – Banks	34	57	(40%)
Reverse repos – Customers	39	32	22%
Total	73.3	88.8	(18%)

Maturity profile	% of total MTM	
	FY09	FY08
< 3 months	91.7	82.6
< 6 months	3.9	12.1
< 1 year	4.4	4.4
> 1 year	0.0	0.8
Total	100	100

Collateral quality distribution	FY09 %	FY08 %
Government	85.9	89.3
Corporates	10.7	7.2
Other	3.4	3.5
Total	100.0	100.0

¹ Including assets transferred to non-core. Banking and trading book repos.
 Note: Collateral quality distribution and tenor distribution are calculated based on gross reverse repos

GBM – Debt Securities¹



Asset	FY09 £bn
Central & Local Government	41.9
Mortgage & asset-backed securities	30.6
Treasury & other bills	28.3
Banks & Building Society	7.2
Corporate (inc Financials)	5
Debt Securities total	113

- Majority of non-rated linked to exposures in ABS, Fund derivatives and Corporates
- Excess liquidity invested in Treasury and Other Bills

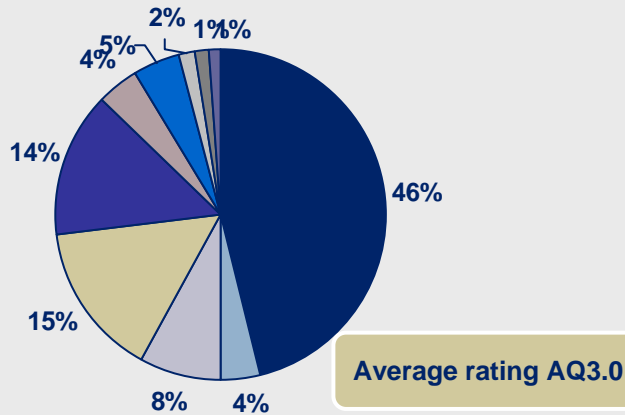
¹ Core debt securities – banking book & trading book, excludes £13.5bn of unanalysed securities
 GBM debt securities total consists of £32.5bn T Bills included in Cash & T-Bills and £94bn Debt Securities on summary slide 70

GBM credit portfolio by credit grade

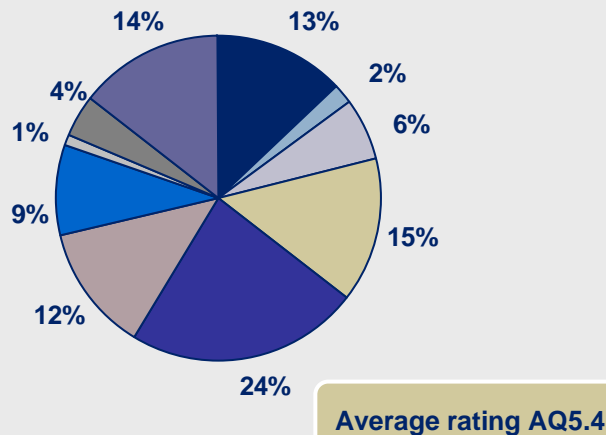


GBM – Credit grade exposures¹

Core



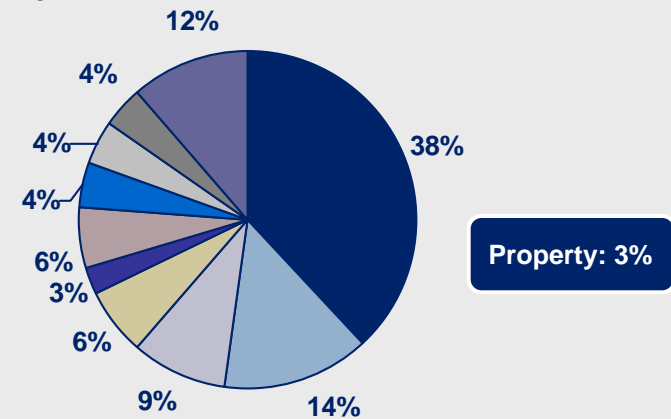
Non Core



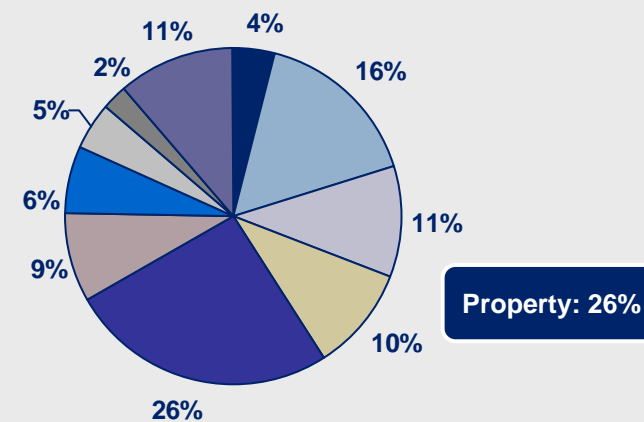
■ AQ1 ■ AQ2 ■ AQ3 ■ AQ4 ■ AQ5 ■ AQ6 ■ AQ7 ■ AQ8 ■ AQ9 ■ AQ10

GBM – Sector exposures¹

Core £224.4bn



Non Core £87.7bn



■ Banks and Building Societies ■ Financial Intermediaries
 ■ Manufacturing ■ Transport and Storage
 ■ Property ■ TMT
 ■ Power, Water & Waste ■ Natural Resources and Nuclear
 ■ Public Sectors ■ Other

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.

Strategic Plan

APS

Non-Core

Risk

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UK Corporate

US Retail & Commercial

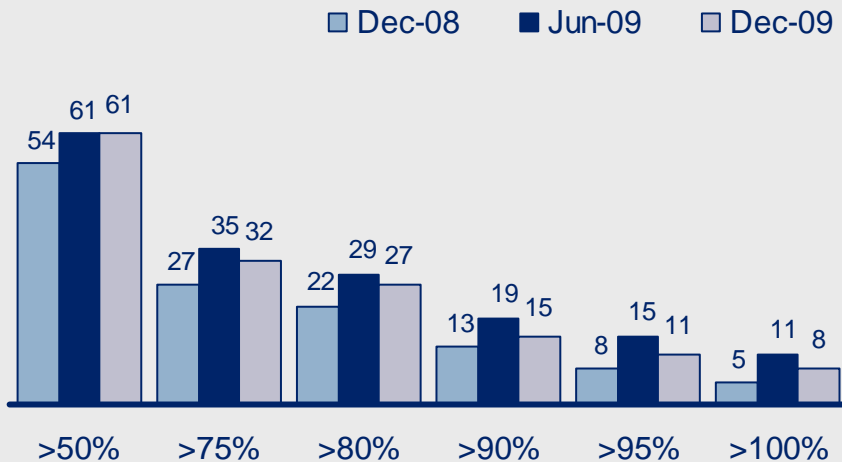
Ulster Bank

UK Retail mortgages



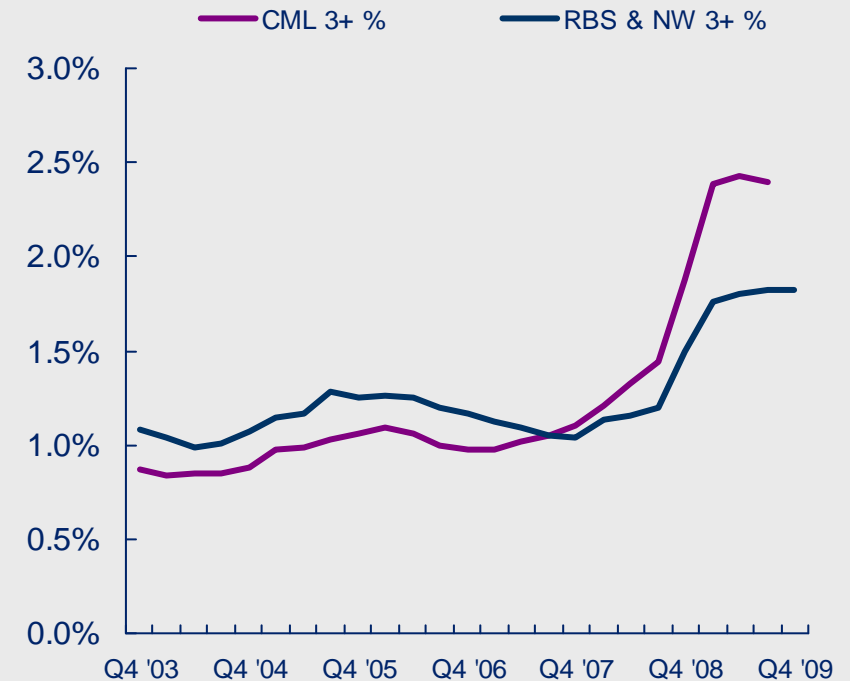
UK Portfolio¹; £85.5bn; +15%*
 Core; £83.6bn, Non-Core; £1.9bn

Cumulative LTV distribution as % of book volume¹
 %



- 98% Core / 2% Non-Core
- 7% Buy to let
- LTV – 59% (buy to let 67%)
- FY09 mortgage impairments² – £129m, 0.15% of L&A

Mortgages – Arrears vs. CML³



1 Excludes Wealth and business off-set mortgages

2 Includes £5m non-core.

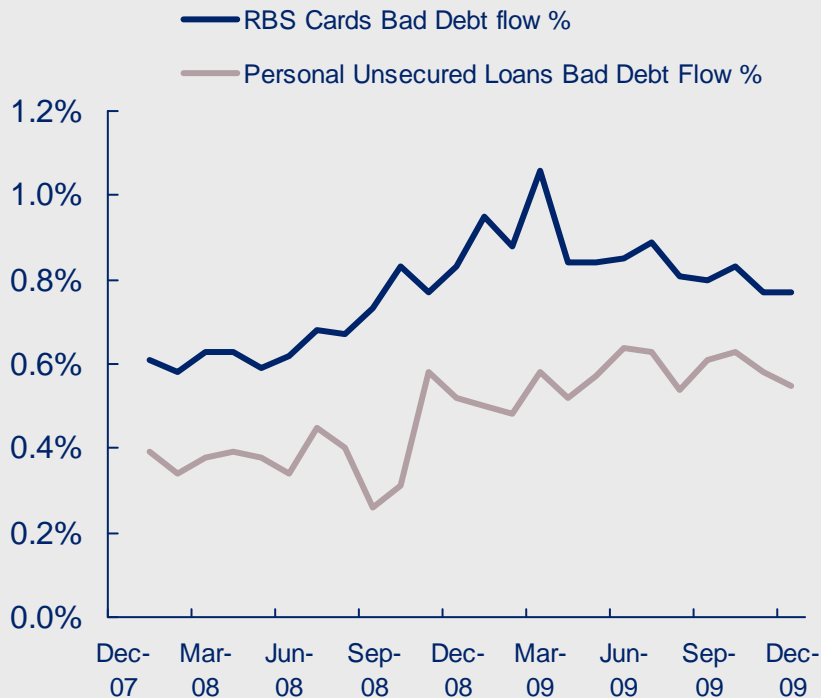
3 Council of Mortgage Lenders

LTV basis – current valuation, by volume

* Versus FY08

Credit quality indicators – Personal & Cards

Total portfolio ¹ £17.1bn: Core:£16.4bn; Non-Core: £0.7bn



- Evidence of stabilisation in bad debt flow during H209, following increases in H109
- Credit card 3 months arrears rate remained below UK credit card market averages
- Unsecured balances have fallen in 2009 due to a general market trend of customers repaying credit card and loan balances and a reduction in new lending
- Support continues for customers in financial difficulties through breathing space initiatives on all unsecured products

¹ Excludes overdrafts

Strategic Plan

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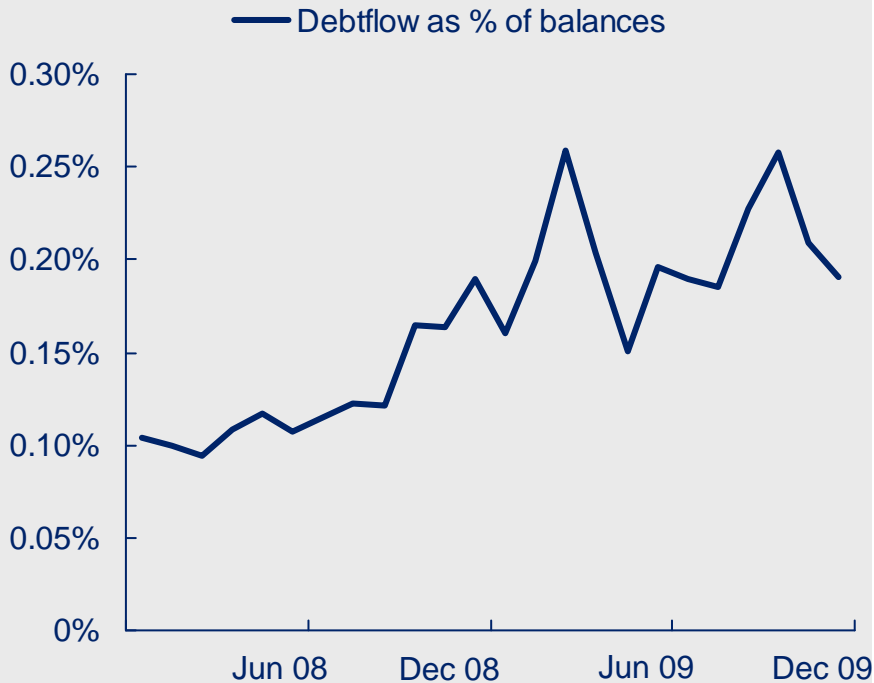
UK Corporate

US Retail & Commercial

Ulster Bank

Credit quality indicators – Business Banking

Total portfolio £19.7bn; Core; £17.0bn, Non-Core; £2.7bn



- Debtflow during 2009 is up 62% from 2008 (£497m vs £306m) however debtflow is expected to stabilise throughout 2010.
- The average balance of an account entering recoveries in 2009 has increased to £28k from £21k throughout 2008.

Strategic Plan

APS

UK Corporate

Risk

GBM

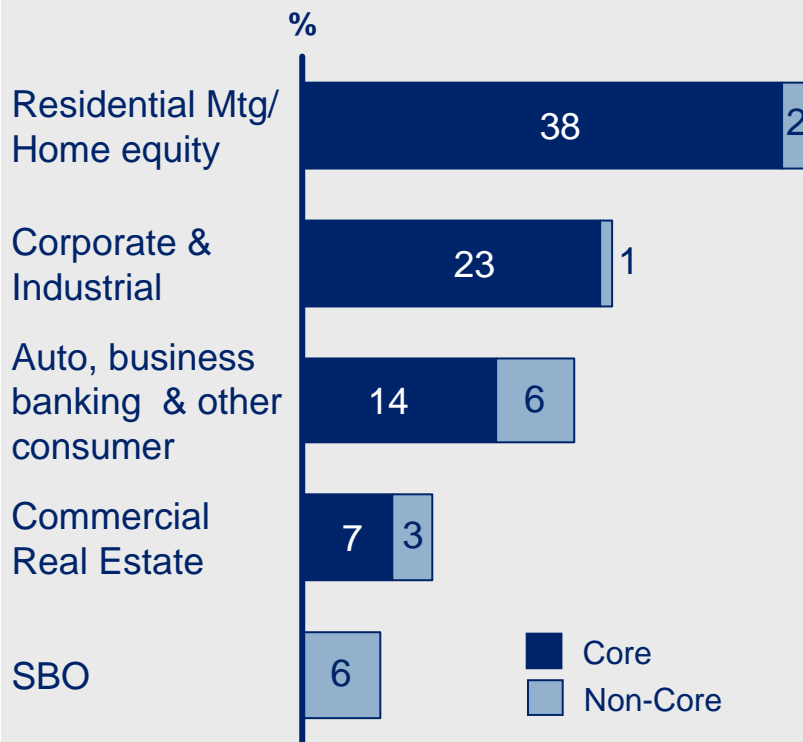
UK Retail

UK Corporate

US Retail & Commercial

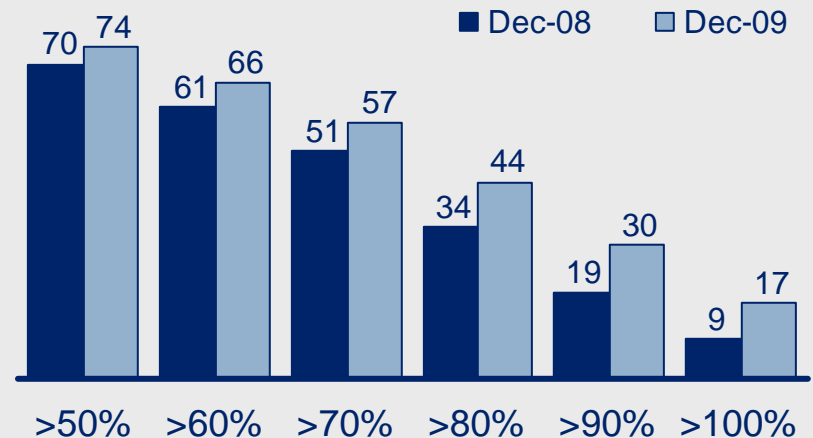
Ulster Bank

Total Portfolio; \$94.9bn; -8%¹
 Core; \$77.6bn, Non-Core; \$17.3bn



Home Equity & Residential Mortgage Portfolio²
 Core \$35.1bn; Non-Core \$7.4bn

Cumulative LTV distribution as % of book volume:



- Average LTV 72%, 67.5% ex SBO
- Average FICO³ 737
- Origination focused in mature & stable markets of New England & Mid Atlantic

¹ vs. December 2008. US GAAP

² Includes SBO

³ Average FICO on a value basis

US R&C –consumer lending metrics



	Core			Non-Core			
	Residential Mortgage	Home Equity	Auto	Residential Mortgage	Home Equity	Auto	SBO
Outstanding Balance	\$10.0bn	\$25.1bn	\$8.2bn	\$1.3bn	\$0.5bn	\$0.6bn	\$5.5bn
Percentage of Total Loans	11%	26%	9%	1%	0.5%	0.5%	6%
Weighted Average FICO ¹	732	746	738	698	726	692	708
Weighted Average CLTV	71%	69%		95%	107%		99%
Fixed Rate Loans	71%	44%		100%	43%		
Variable Rate Loans	29%	56%		0%	57%		
First Lien	99%	48%		99%	3%		4%
Second Lien	1%	52%		1%	97%		96%
Portfolio Vintage							
2009	10%	7%	28%	0%	0%	1%	0%
2008	5%	15%	30%	0%	0%	21%	0%
2007	9%	16%	21%	20%	72%	46%	20%
2006	9%	15%	12%	14%	27%	21%	40%
2005	28%	12%	8%	26%	1%	11%	34%
Pre 2005	39%	35%	1%	40%	0%	0%	6%
Cumulative FICO Distribution							
>620	91%	95%	92%	80%	92%	86%	75%
<620	9%	5%	8%	20%	8%	14%	25%

¹ Weighted Average FICO and Weighted Average LTV's stated are the most recent available upon submission of the data. LTVs and FICOs based on value.

Strategic Plan

APS

Non-Core

Risk

GBM

UK Retail

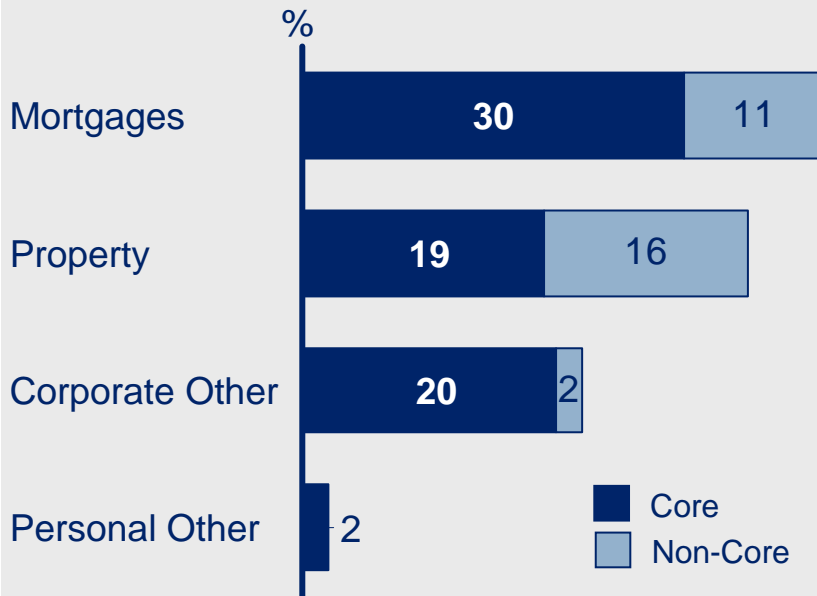
UK Corporate

US Retail & Commercial

Ulster Bank

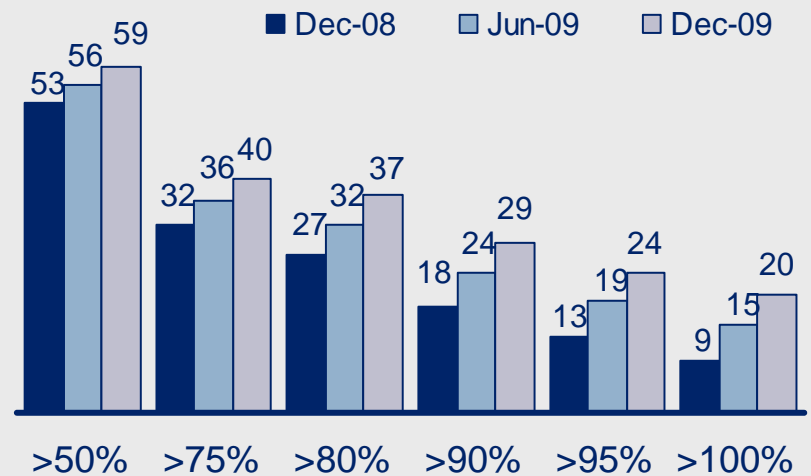
Ulster Bank – Sector Analysis

Total portfolio: £55.4bn; -8%¹
 Core: £39.7bn; Non-Core: £15.7bn



Ulster Bank mortgage portfolio
 Total portfolio: £22.3bn

Cumulative indexed LTV distribution as % of book volume²:



- Average indexed mortgage LTV – 63%
- 41% of book is mortgage funding, secured by properties
- Very low exposure to unsecured consumer lending

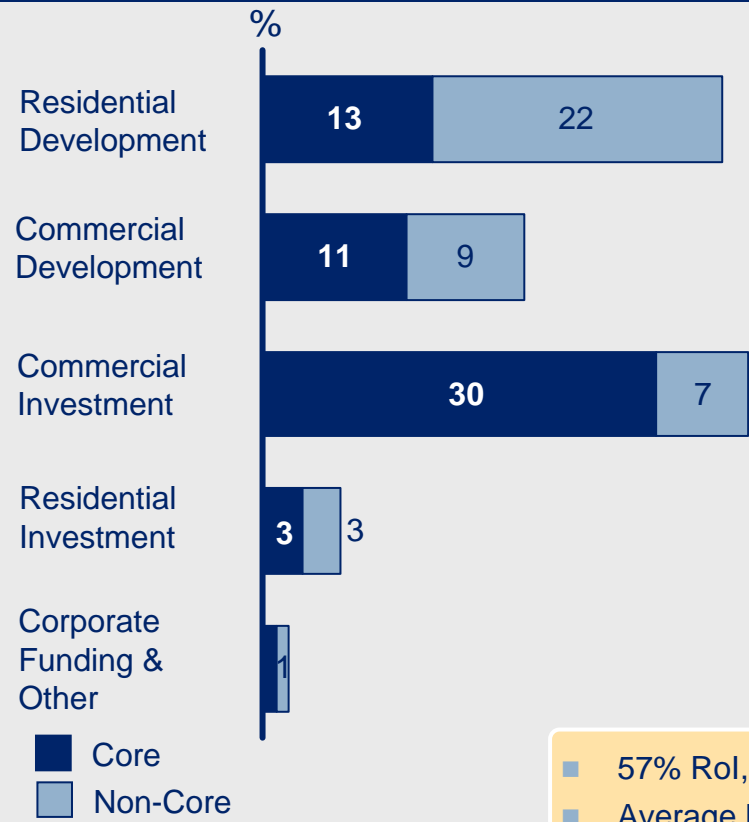
¹ Versus FY08

² LTV basis – current valuation by volume

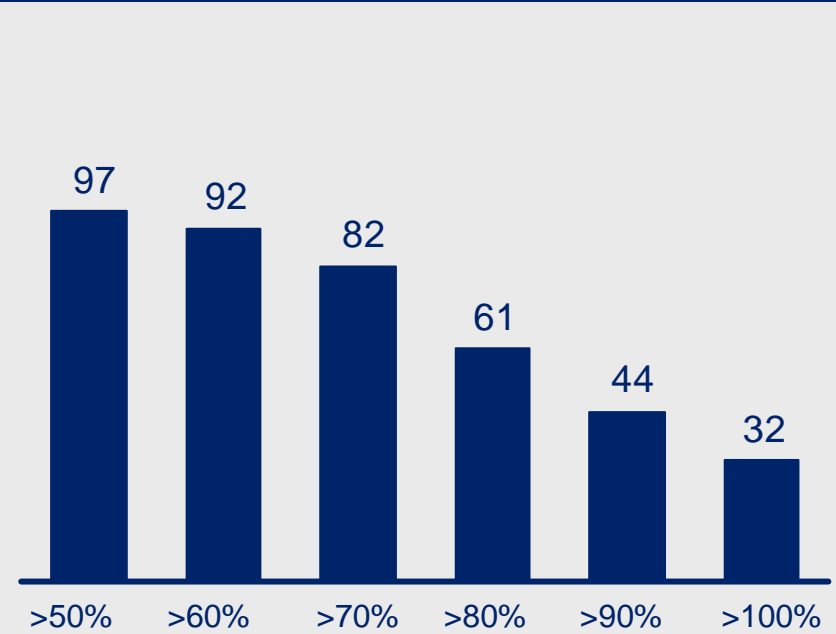
Ulster Bank – Commercial Property¹



Total portfolio; £18.2bn; -0.5%²
 Core; £9.9bn, Non-Core; £8.3bn



Cumulative LTV distribution as % of book value:



- 57% RoI, 43% UK split
- Average LTV 93%
- Average interest cover 1.47x

¹ Includes commercial property and residential property developers

² Versus FY08

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 £1.0bn and non-financing exposure such as that assumed on derivatives contracts (£1.0bn).