Re-building & Recovery

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Important Information

Certain sections in this presentation contain ‘forward-looking statements’ as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘believes’, ‘should’, ‘intend’, ‘plan’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘will’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited, to: the Group’s restructuring plans, capitalisation, portfolios, capital ratios, liquidity, risk weighted assets, return on equity, cost-to-income ratios, leverage and loan-to-deposit ratios, funding and risk profile; the Group’s future financial performance; the level and extent of future impairments and write-downs; the protection provided by the APS; and the Group’s potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

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Key messages

Strategic targets affirmed, foundations laid in 2009

A Group increasingly positioned for medium-term recovery

Robust customer franchises

GBM – a more focused business, holding up well

Retail & Commercial businesses beginning to turn the corner

Market environment for NIM starting to improve

Impairment trends are moderating - still early days though

Expense programmes on track; sizeable business investment

Balance sheet stronger in all respects (Capital, liquidity, funding); size reducing appropriately - vulnerability decreasing over time

Delineation of Core/Non-Core and impact of future valuation will become clearer over 2010/11

Economic and regulatory threats remain elevated

2010 - a year of execution

2013 Strategic Plan - defined aspirations

RBS – The Royal Bank of Scotland

A reshaped business

- Focus on UK and US franchises, and move balance of Group towards UK Retail and Commercial businesses
- Resize and refocus GBM on corporate and financial institutions franchises and core locations
- Reposition other overseas businesses to align with Group competencies and reduce risk
- Use smaller balance sheet with much less wholesale funding reliance
- Understand and manage down our Non-Core bank effectively

New management disciplines

- A cost base that is reduced, controlled and transparent
- Returns and balance sheet use targeted and measured
- A strong risk management organisation and processes
- A management framework and incentives to reward longer-term performance
- Management and accounting mechanisms for Non-Core assets

Affirmed and updated targets

Key performance indicator	Worst point	2009 Actual	Why?	2013 Target
Core Tier 1 Capital	4%(1)	11.0%	Higher capital ratios to meet society's expectations of a safer banking system	>8%
Loan : deposit ratio (net of provisions)	154%(2)	135%	To put our balance sheet on a more secure footing	c100%
Wholesale funding reliance(3)	£343bn(4)	£250bn	To reduce vulnerability so wholesale funding is predominantly used for non-loan assets	<£150bn
Liquidity reserves(5)	£90bn(4)	£171bn	To guard against unexpected funding difficulties	c£150bn
Leverage ratio(6)	28.7x(7)	17.0x	A conservative leverage ratio, at a level consistent with other leading banks	<20x
Return on Equity (RoE)	(31%)(8)	Core 13%(9)	To cover our cost of capital in the long-run, and justify shareholders' support	Core >15%(9)
Cost : income ratio net of claims	97%(10)	Core 53%	We cannot achieve a 15% RoE without cost control and asset margin re-pricing	Core <50%

[1] As at 1 January 2008. [2] As at October 2008 [3] Amount of unsecured wholesale funding under 1 year. 2009 includes £109bn of bank deposits and £141bn of other wholesale funding. 2013 target is for <£65bn of bank deposits, <£85bn of other wholesale funding. [4] As at December 2008 [5] Eligible assets held for contingent liquidity purposes including cash, government issued securities and other securities eligible with central banks. [6] Funded tangible assets divided by Tier 1 Capital. [7] As at June 2008 [8] Group return on tangible equity for 2008 [9] Indicative Core attributable profit taxed at 28% on attributable core spot tangible equity (c70% of Group tangible equity based on RWAs). Please see slide 34. [10] 2008

A business positioned for recovery in performance

Who are we?

RBS Group operates in the United Kingdom, Europe, the Americas and Asia, serving more than 30 million customers. The Group provides a wide range of products and services to personal, commercial and large corporate and institutional customers through its two principal subsidiaries, The Royal Bank of Scotland and NatWest. In addition it operates through a number of other well known brands including Citizens, Ulster Bank, Coutts, Direct Line and Churchill

RBS Group

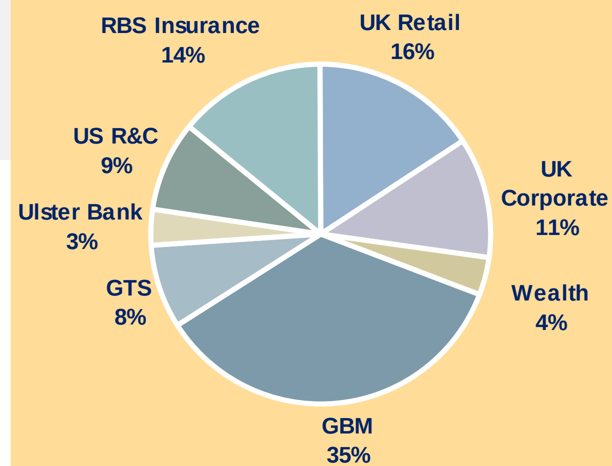
- **Global Banking & Markets**
- **UK Retail & Commercial Banking**
  - **UK Retail**
  - **UK Corporate & Commercial Banking**
    - **Global Transaction Services**
  - **Wealth**
- **US Retail & Commercial Banking**
- **Ulster Bank**
- **RBS Insurance**
- **Non-Core**

RBS Group Key Facts

- UK banking presence since 1727 and a targeted global presence in 39 countries
- Leading Retail banking franchises in UK and Ireland
- Top tier Global Corporate & Investment Bank

Total Employees	161,000	Total Loans	£596bn
UK Employees	96,500	Total Deposits	£483bn
Total Income[1]	£32bn	Total Funded Assets	£1,084bn

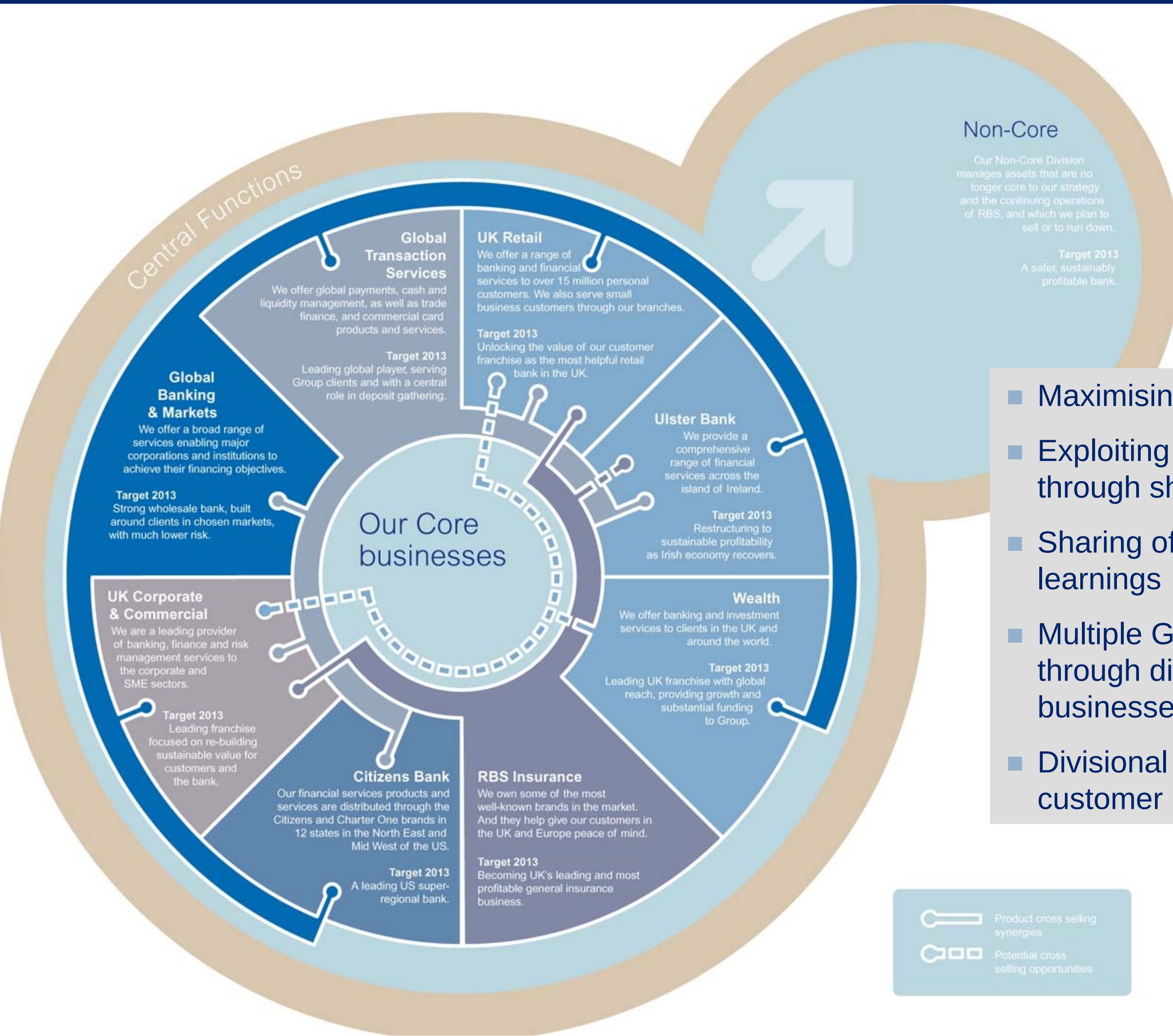
FY09 Income by Division[1]



- R & C Businesses = 65% of Group

[1] Based on Core Group

Group connectivity, cross-sell and complementarity



- Maximising cross sell opportunities
- Exploiting economies of scale through shared business services
- Sharing of best practise policies & learnings
- Multiple Group funding sources through diverse customer facing businesses
- Divisional partnerships support global customer requirements

Market leading positions

Current market position of selected franchises		
UK/Ireland	**GBM/GTS Global Rankings**	**US R&C**
#1 Small business banking	Top 5 Rates	Top 5 player in 8 of top 10 markets in which we operate
#1 Corporate and commercial	Top 5 Currencies	#2 by deposits (New England)
#1 Cash management	Top 5 Credit Markets	#3 by deposits (Pennsylvania)
#1 Private banking	Top 8 Equities	#1 by branches (New Hampshire)
#2 Personal current accounts	#4 Merchant acquirer	#1 by branches (Rhode Island)
#1 Motor insurance	#5 Trade finance	#2 by branches (Pennsylvania)
#2 Household insurance	#5 International cash management	
#1 Bank in Northern Ireland		
#3 Bank in island of Ireland		

A strong customer base with growth potential

UK Retail	■ 12.8m current accounts (+3%)[1], 9.9m savings accounts (+12%)[1] and 8.5m mortgage accounts (+10%)[1] demonstrating robust growth & strength of franchise ■ Number of active online banking customers increased by almost one quarter[1]
UK Corporate	■ Customer base maintained throughout financial crisis ■ 1.1m Business Banking, 85,000 Commercial and 12,000 Corporate
Wealth	■ Customer base increased across the Wealth portfolio to c290,000 ■ 1%[1] growth despite shrinkage in the population of high net worth individuals

GBM[2]

Customer Relationship Banking	UK	Europe	USA	APAC
Total Relationships	#1	#3	#6	#7
Important Relationships	#1	#3	#5	=7
Lead Relationships	#1	#4	#6	=7

Ulster	■ Customer accounts increased 3%[1] across the Ulster Bank brand to 1.9m ■ Growth fuelled by strong current account activity and new-to-bank savings customers
US R&C	■ 4%[1] deposit growth achieved despite a very competitive US deposit market ■ Over 58,000 consumer checking accounts & 13,000 small business checking accounts added[1]
Insurance	■ Own-brand motor policy numbers increased 8%[1] to 4.9m ■ Own-brand home insurance policies increased 13%[1] ■ Total own-brand non-motor policies increased 13%[1] to 6.3m

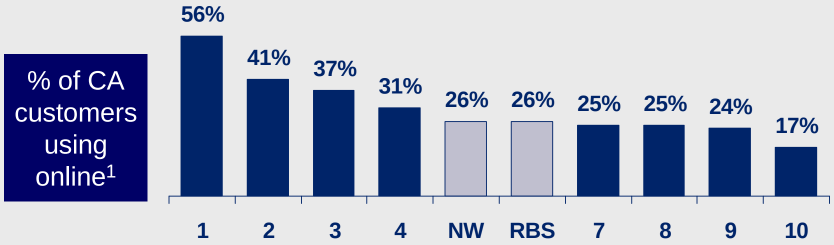
Our Core businesses have sustained their market positions, with customer numbers steady or growing

[1] Increases are December 2009 versus December 2008; [2] 2010 Greenwich Associates H209 data (Large Corporate Banking study)

Refocused service proposition

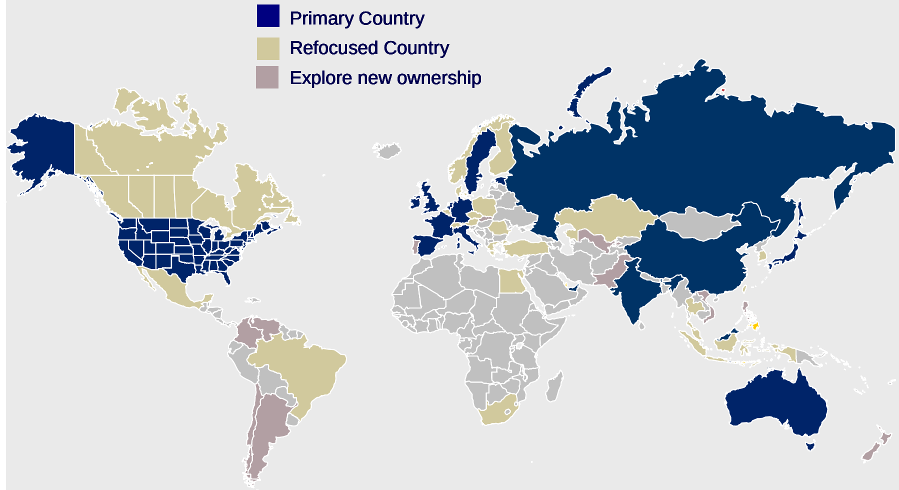
Increasing customer accessibility – e.g. UK Retail

Significant opportunity to build remote channel access



- Build new channel platforms and capabilities
- Migrate customers to remote channels & improve productivity
- Reconfigure branch footprint and format

Re-focusing the footprint – e.g. GTS Network



Refining the business proposition – e.g. US R&C

In footprint:	12 State footprint Exiting out of footprint lending Increasing density & coverage in major markets National bank expertise, local bank approach
Align Retail & Consumer:	Two key segments; Consumer & Commercial Leverage branch infrastructure & service channels for cross-sell opportunities Enhance mass affluent offering
Cross-sell:	Capitalise consumer, SME & Commercial opportunities Share skills, efficiencies & best practise of the Group Leverage RBS's worldwide capabilities in GTS/GBM

Deepening customer relationships – e.g. GBM

Focus on priority clients…	Client wallet and return Strength of RBS Relationship
…with comprehensive product suite	Debt, Equity, Risk Management Cross sales, tailored client solutions
…and fully aligned resources	Aligned sales, research, coverage Careful capital deployment

[1] Source: e-benchmarkers

GBM – a more focused business

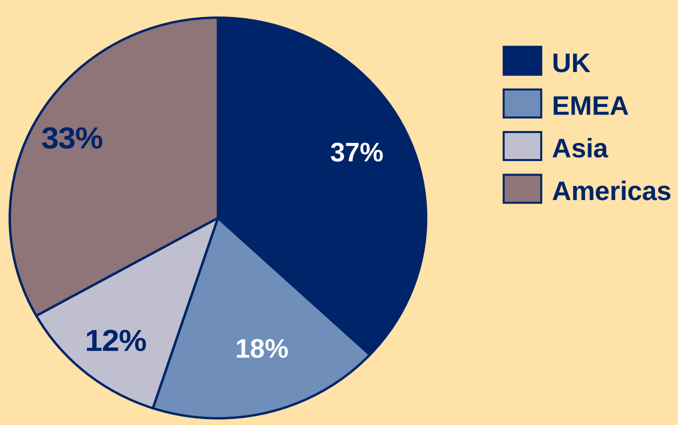
GBM Summary – FY07 vs FY09

	FY07		
	"Old" GBM	Core GBM	FY09 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]

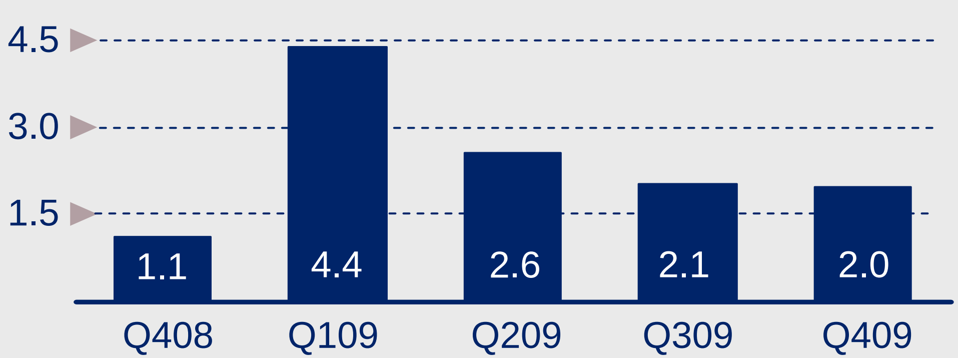
Business Performance – Revenues & Growth

	09 Revenues £bn	Gwth vs 08 %
Rates – MM	1.7	4%
Rates – flow	3.1	127%
Currencies	1.3	(17%)
Equities	1.5	300%
Credit markets	2.3	n.m.
PM & Origination	1.2	39%

GBM revenues 2009 - Geographic breakdown



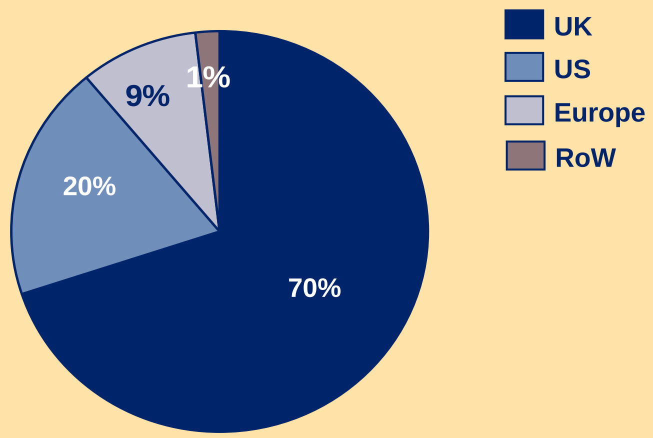
Quarterly Revenues (underlying)[4], £bn



[1] Includes credit market write-downs & one off items of £1,776m. [2] Includes £448m of allocated manufacturing costs. [3] Excludes integration staff. [4] Excluding Sempra, write-downs & FVooD

Retail & Commercial[1] - upturn ahead

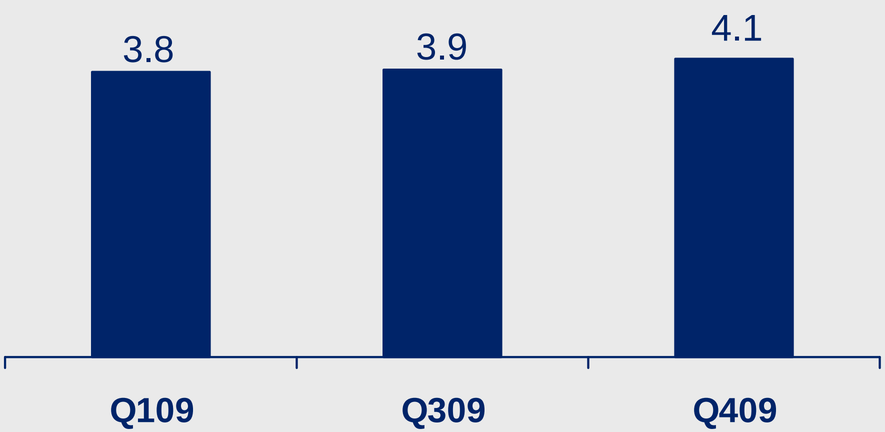
Revenues by geography, £bn



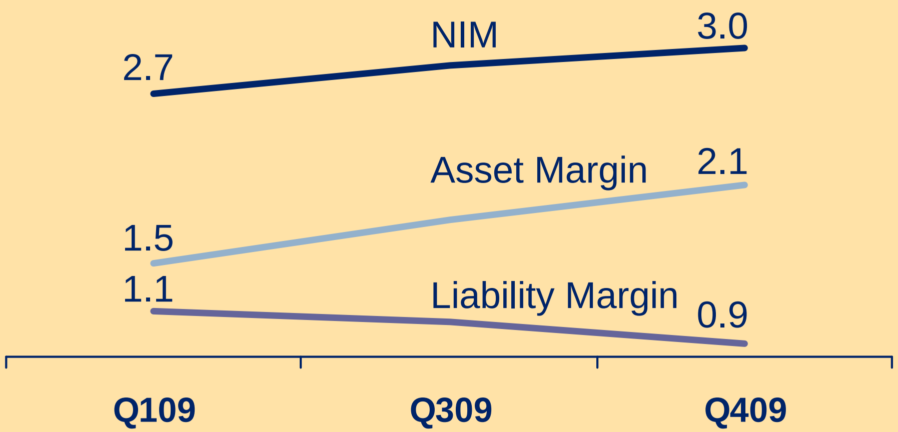
Business reach

- UK Retail - Over 15m personal customers
  - Full range of banking products
- UK Corporate - Serves 1/4 of the SME market
  - Tailored products & services
  - Branch based business advisers
- Wealth - Serves global wealth customers
- Ulster - Full service bank in Ireland
  - #3 Bank in Ireland
- GTS - Global payments, cash & liquidity management & trade finance

Revenues Q109, Q309 & Q409, £bn



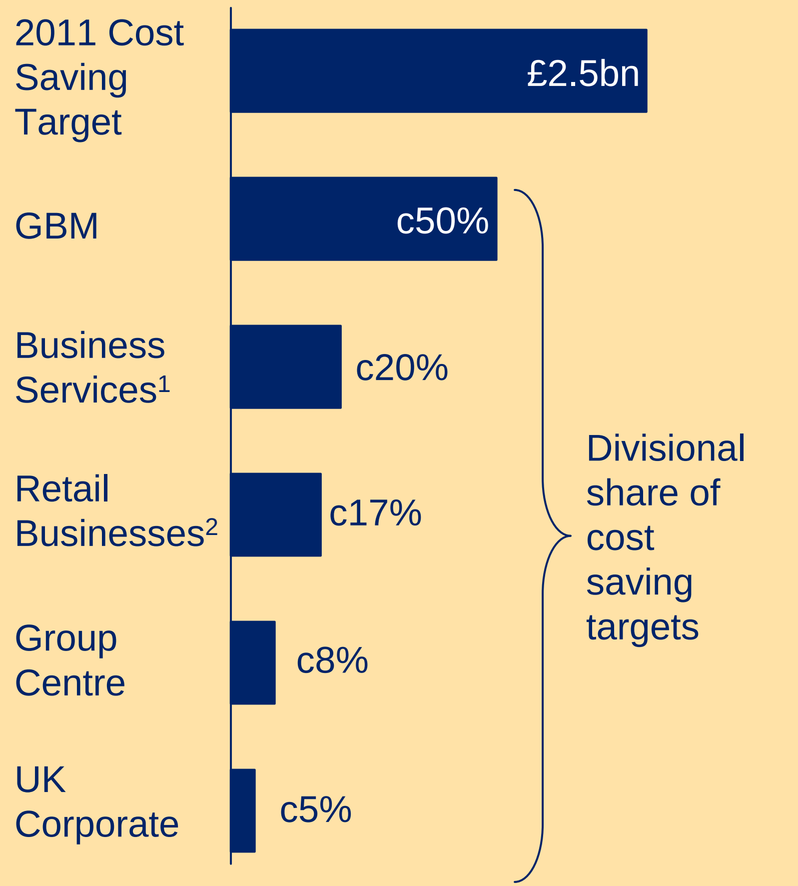
NIM Q109, Q309 & Q409, %



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

Managing costs & business investment

£2.5bn cost saving programme



- £1.3bn (CFX) cost savings achieved FY09

Major investment programmes underway

5 year spend > £6bn to foster growth & efficiency

Example projects: Implementation Cost[3]:

Improve & integrate infrastructure — c10%
- GBM – data centres consolidation & IT improvements
- Claims system replacement in insurance

Improve MI systems — c4%
- Group Functions asset protection scheme
- Rating & pricing system for RBS Insurance

Reduce cost to serve customers & increase efficiency — c55%
- Cost reduction programme in Business Services
- GBM Cost & Control initiative

Channel development & optimisation — c12%
- Implement multi-channel shift and customer decisions for UK Retail

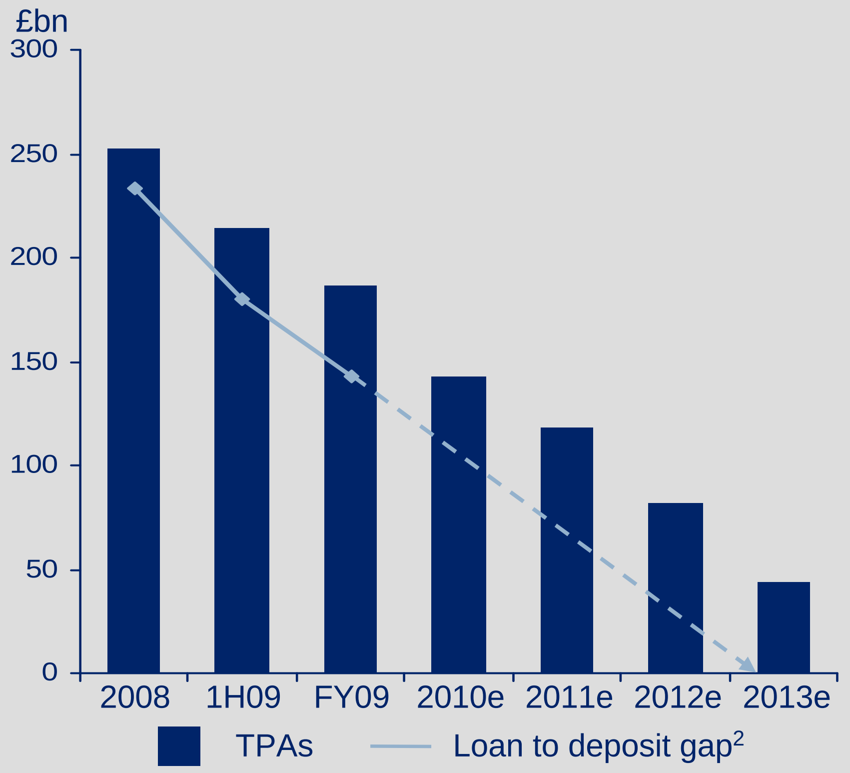
Other — c19%
- IT cost of Non-Core divestment, and discretionary spend

[1] Formerly known as Group Manufacturing
[2] Includes UK Retail, Ulster Bank, Wealth, US R&C and Insurance
[3] Percentage of planned spend

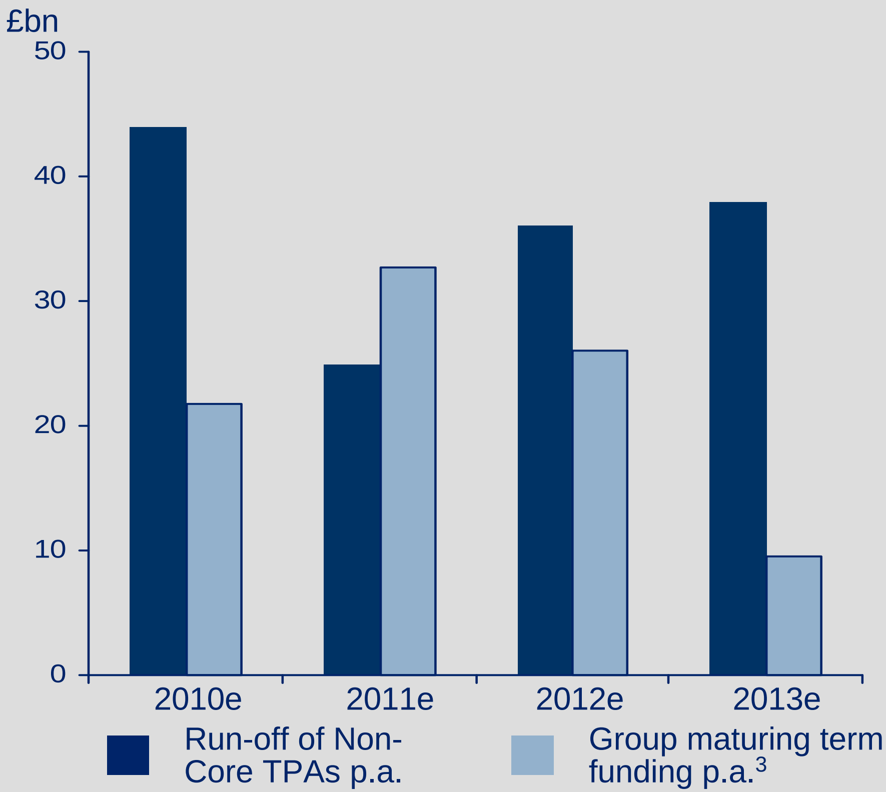
Strengthening funding, liquidity & capital

Improving funding and liquidity

Non-Core third party assets (TPAs excl MTMs) run-off targets[1] trend with the Group Loan:Deposit gap



Refinancing requirement outweighed by run-off in Non-Core third party assets[2]

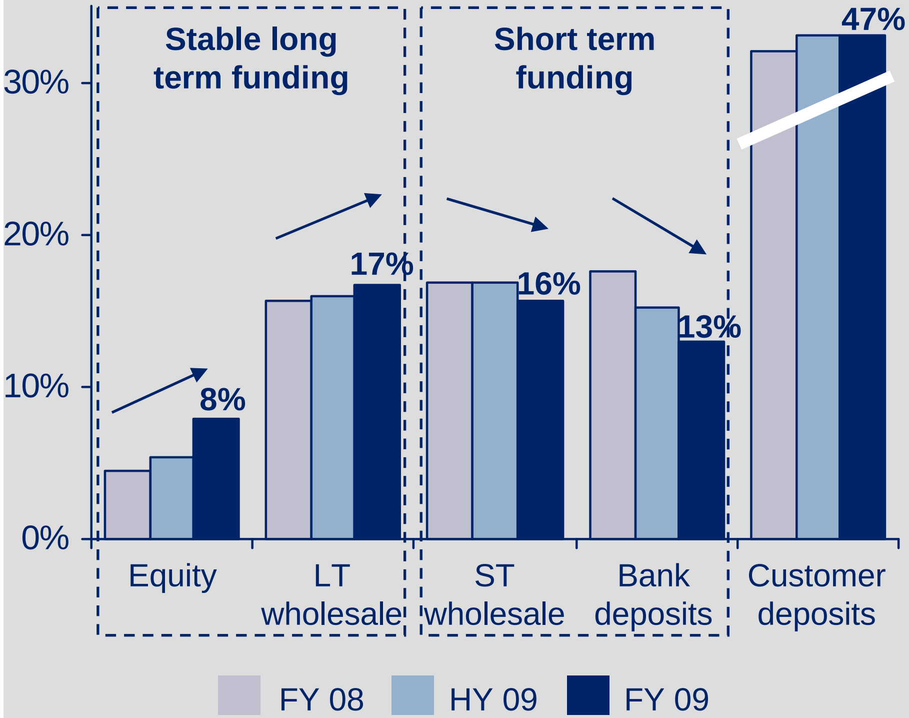


- The reduction in the loan:deposit gap is expected to continue trending closely with the run-off of Non-Core third party assets
- The future refinancing requirement of wholesale funding is significantly outweighed by the level of run-off from Non-Core TPAs

[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

Improving funding and liquidity

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



Key Funding Metrics

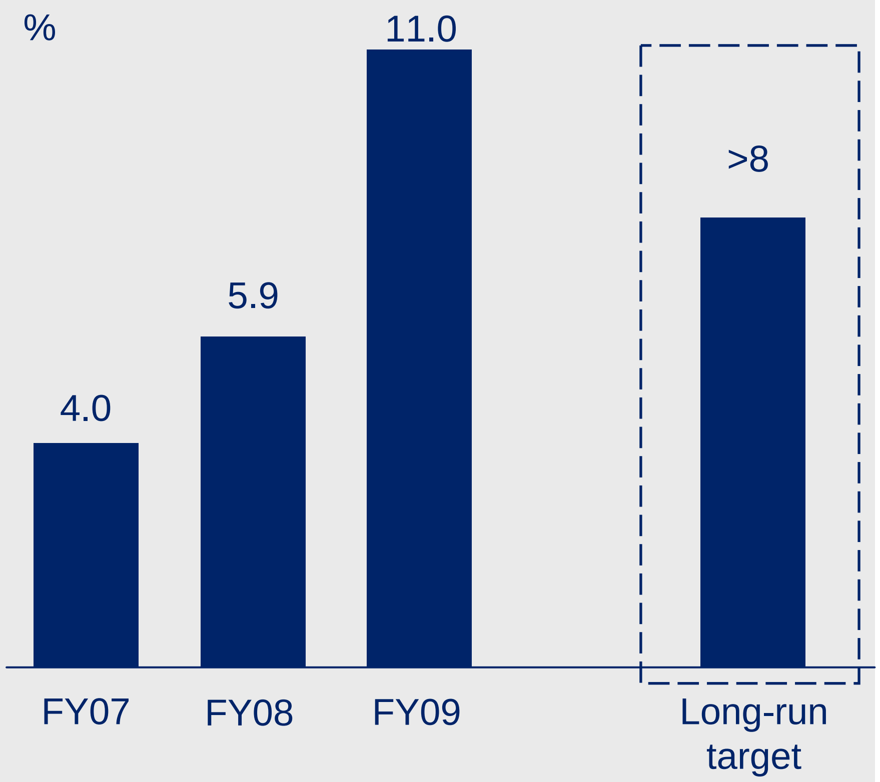
	FY08	H109	FY09
Loan:deposit ratio (Group)[2]	151%	143%	135%
Core	118%	110%	104%
Loan:deposit gap (Group)[3]	£233bn	£180bn	£142bn
Core	£80bn	£41bn	£16bn
Liquidity reserves	£90bn	£121bn	£171bn
Of which central govt bond portfolio:	£1bn	£7bn	£20bn
Net Stable Funding Ratio[4]	79%	83%	90%
Wholesale funding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

Core Tier 1 – an increased buffer

Core Tier 1 Capital progression, FY07 – FY09 & long-run target



- Significant progress in strengthening CT1
- 11% at FY09, driven by B Share issuance, APS overlay and Asset & Liability Management gain
- Provides buffer for potential future losses and Non-Core run-down, as well as regulatory changes

Regulatory uncertainties remain

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

To be phased in from 2012

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

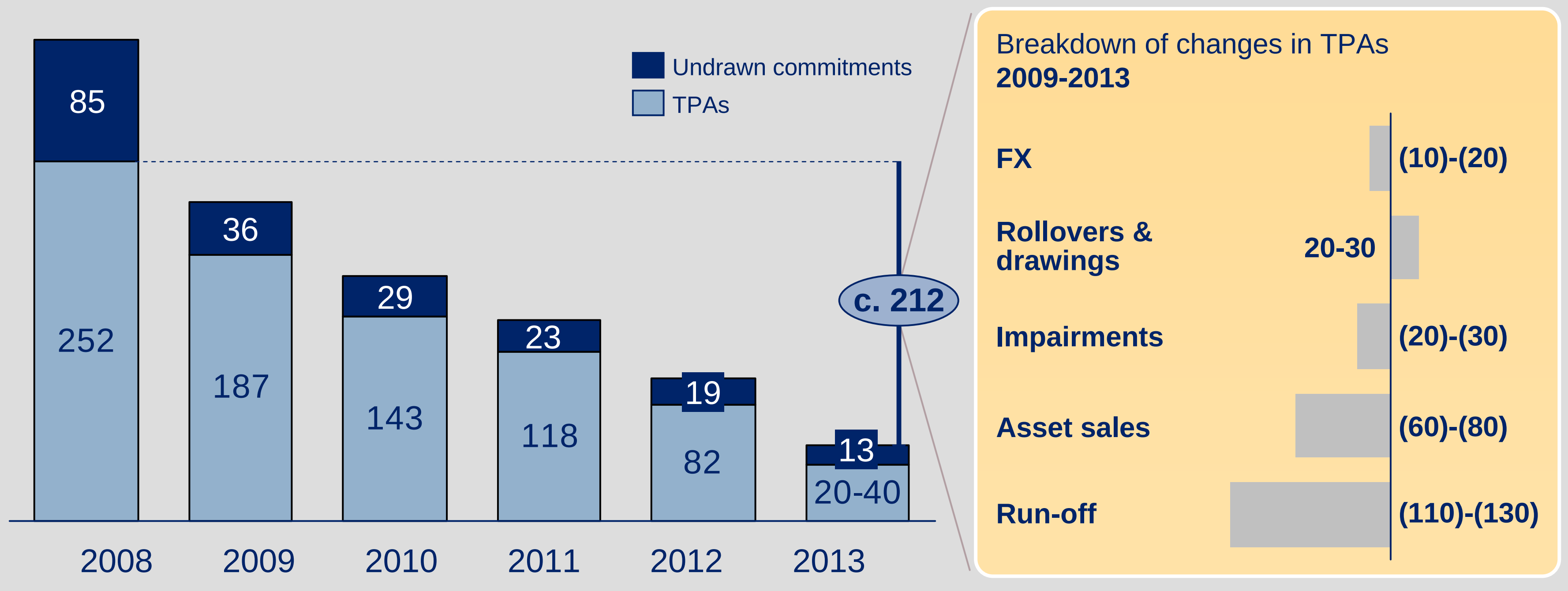
CHANGES TO CAPITAL DEDUCTIONS
- Deferred Tax Assets
- Expected Loss – Provisions
- Securitisations
- Pension deficit
- Material holdings
- Unrealised Losses on AFS
- Minority interest

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

Reducing business risk

Managing future run-off

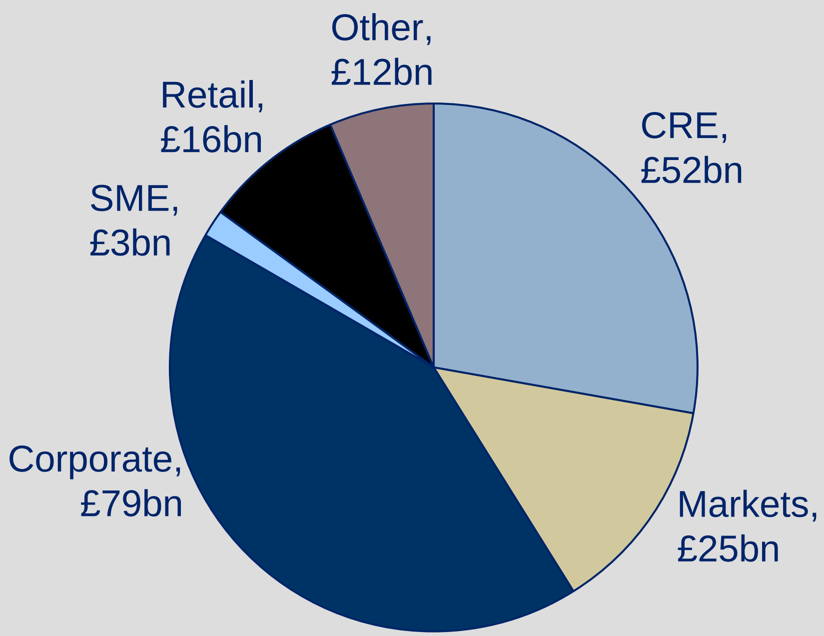
Non Core third party assets (TPAs excluding derivatives & Sempra) run-off targets, £bn



- 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

Non-Core composition

2009 Y/E TPAs[1] by asset class



Total assets £187bn

Non-Core Run-Off

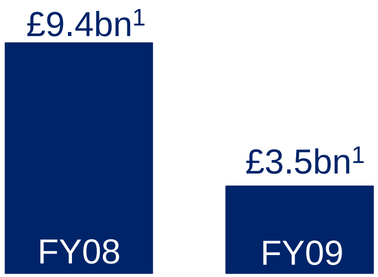
- Most challenging areas of run-off:
  - CRE
  - Project & Asset Finance
  - Corporate Loans & Securitisations
- Likely to lead to roll-overs in these asset classes
- Year end 2013 target – c£20-40bn TPAs:
  - Asset Finance & Project Finance c£12-18bn
  - CRE c£5-8bn
  - Warehouse loans c£5-8bn
- Expenses outlook (FY09 £2.4bn):
  - Reduction in line with asset run-down
  - Most progress in 2011 and outer years
  - Forecast 2013 cost base c£300m-400m

[1] Excluding MTM derivatives and Sempra, please see appendix slide 33 for further detail on asset class

Non-Core risk mitigation

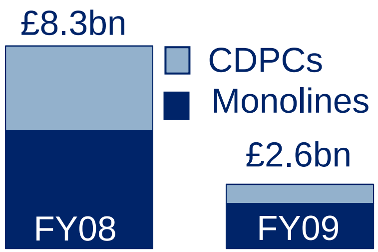
Trading positions

- Ongoing reduction in trading positions
- Trading asset write-downs significantly reduced in 2009
- Reversal of banking book hedges in 2009



Monolines / CDPCs

- Monoline net exposures significantly reduced in 2009
- Certain exposures restructured
- Improvements in underlying asset values
- CDPC exposures reduced driven by tighter credit spreads



Country Disposals

- First six transferred to ANZ – two closed
- Colombia sold to Scotia Bank
- Seven other country disposals in progress across Asia and LatAm
- Challenging process but achieving acceptable results – small losses but CT1 neutral/positive through RWA reduction

Business Exits

- Bank of China and Linea Directa sold H1 2009
- Investment Strategies sold to Aberdeen Asset Management in January 2010
- Considering alternatives for aircraft leasing business

中国银行 BANK OF CHINA

linea directa

[1]Excludes banking book hedges

Disposals update – EU mandated

Disposals:

- **Sempra** (£14.2bn assets, £10.2bn RWAs, £52m RBS 2009 operating profit) – announced partial sale[1], working on remainder alternatives

- **UK SME / Branches** (£23.6bn assets, £18.2bn RWAs, operating loss of £146m, 2009)

  Sale process progressing, working through separation issues. Target agreement 2010, completion 2011

- **Merchant Acquiring** (£527m income, £249m operating profit 2009)

  Sale process progressing. 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

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

Outlook

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

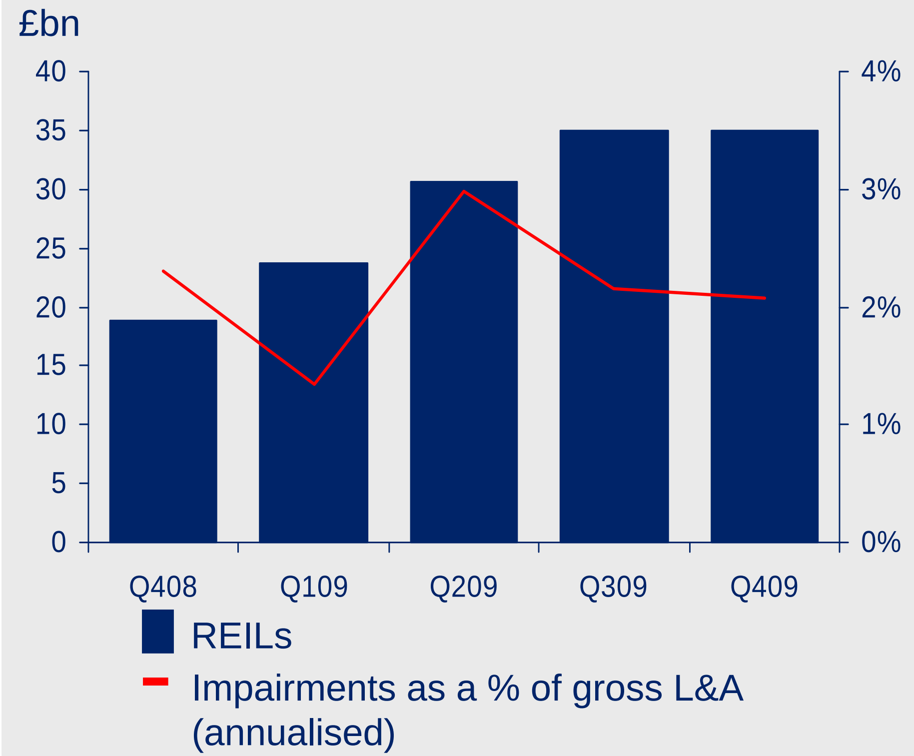
Assumptions

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

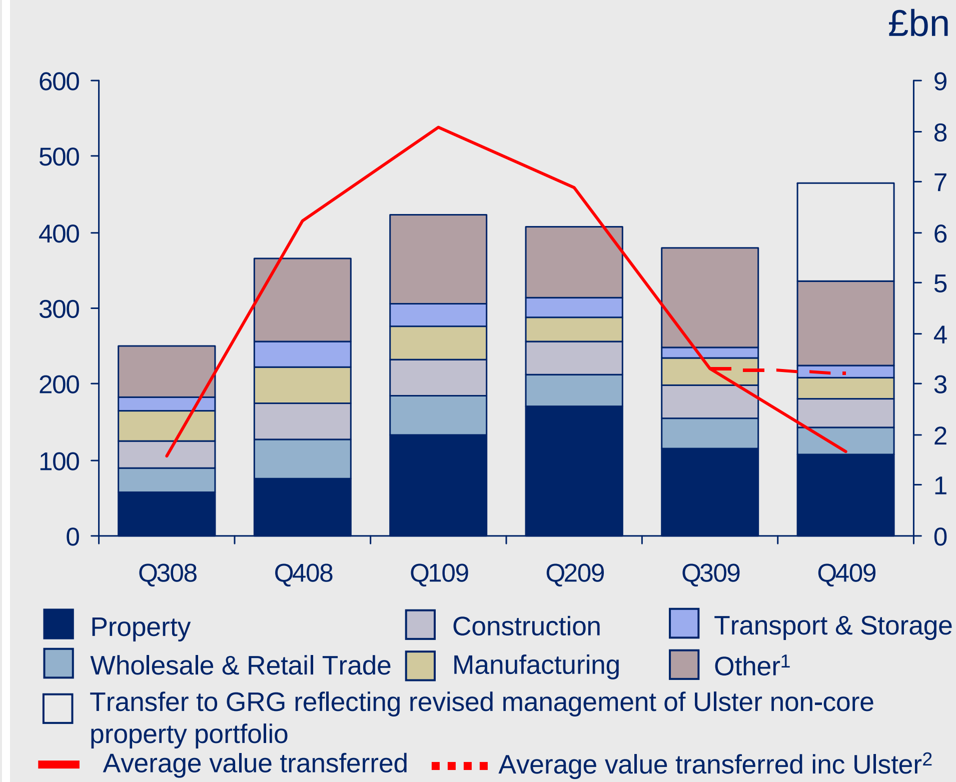
[1] R&C incorporates divisions noted on right hand table

Impairment outlook

Group credit trends, Q408 - Q409



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



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

- 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

Concluding comments

Foundations for recovery are in place

Robust customer franchises

Market environment for NIM starting to improve

Impairment trends are moderating - still early days though

Focus on business investment

Balance sheet de-risking well underway

Business valuation will become clearer over 2010/11

Economic and regulatory threats remain elevated

2010 - a year of execution

Questions?

Appendix

Core Bank – affirmed divisional targets

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 – affirmed divisional targets

Wealth

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

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

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

Ulster Bank

Restructuring to sustainable profitability as Irish economy recovers

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

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

Citizens

A leading US "super-regional" bank

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

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

Insurance

Becoming UK's leading and most profitable general insurance business

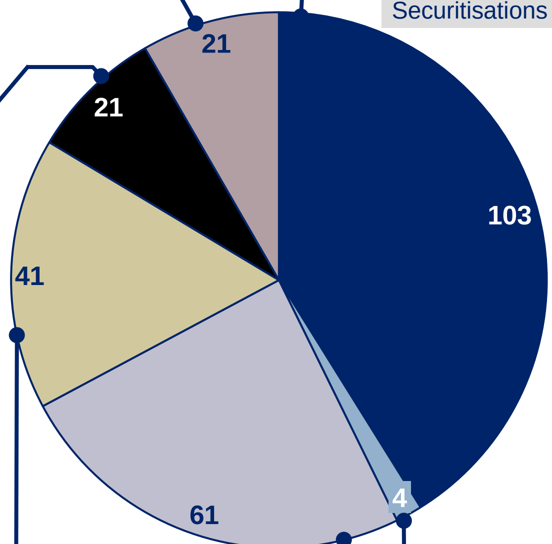
	RoE, %	C:I, % (net of claims)
2011	>15	<70
2013	>20	<60

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

Non-Core make up by division

RBS

2008 Y/E TPAs[1] by asset class



Other
- RBS Insurance £2.0bn
- Retail & Commercial Countries £6.7bn
- Bank of China / Linea Directa £4.5bn
- Other Whole businesses £4.2bn
- ABN AMRO Shared Assets £1.5bn
- Asset Management £1.9bn

Corporate
- Project & Export Finance £21.3bn
- Asset Finance £24.2bn
- Leveraged Finance £15.9bn
- Corporate Loans & Securitisations £41.6bn

Retail
- UK Mortgages & Personal Lending £3.2bn
- US Mortgages & Personal Lending £11.0bn
- Ireland Mortgages £6.5bn

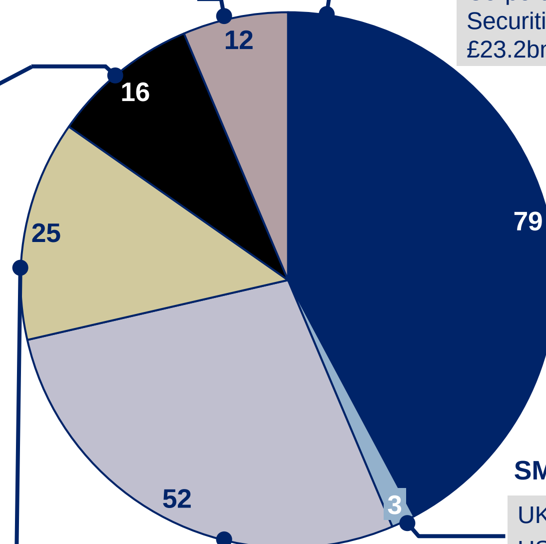
Markets
- Structured Credit Portfolio £20.1bn
- Equities £5.0bn
- Credit Collateral Financing £8.6bn
- Exotic Credit Trading £1.4bn
- Other £6.2bn

Commercial Property
- UK £26.0bn
- Ireland £9.9bn
- Rest of Europe £15.1bn
- US £7.3bn
- APAC £2.9bn

SME
- UK SME £2.3bn
- US SME £1.6bn

Total Assets = £252bn

2009 Y/E TPAs[1] by asset class



Other
- RBS Insurance £1.5bn
- Retail & Commercial Countries £4.3bn
- Other Whole Businesses £3.3bn
- ABN AMRO Shared Assets £1.3bn
- Asset Management £1.6bn

Corporate
- Project & Export Finance £20.6bn
- Asset Finance £22.2bn
- Leveraged Finance £13.1bn
- Corporate Loans & Securitisations £23.2bn

Retail
- UK Mortgages & Personal Lending £2.4bn
- US Mortgages & Personal Lending £7.8bn
- Ireland Mortgages £6.1bn

SME
- UK SME £1.9bn
- US SME £0.9bn

Markets
- Structured Credit Portfolio £14.9bn
- Equities £2.0n
- Credit Collateral Financing £4.8bn
- Other £2.9bn

Commercial Property
- UK £23.6bn
- Ireland £8.1bn
- Europe £13.0bn
- US £4.7bn
- APAC £2.3bn

Total Assets = £187bn

[1] Excluding MTM derivatives and Sempra

Core RoE calculation - 2009

		FY09A
Core operating profit		**8,325**
Tax on operating profit @ 28%		(2,331)
Preference dividends as disclosed	(935)	
Adjustments re preference accruals	109	(826)
Core MI		(49)
Return on B-Shares (70% * £25.5bn at 0.5% return and 28% tax)		64
Restated adjustable profit		**5,183**
Equity:		
Group equity attributable to Ordinary & B-Share holders		69,890
Less: intangible assets		(14,786)
Tangible equity		55,104
Core Group tangible equity (based on RWA mix)		38,573
Core ROTE		**13.4%**

Equity split:		
Core RWAs	*394.5*	*70%*
Non Core RWAs	*171.3*	*30%*
Group RWAs	*565.8*	*100%*

- Percentage of Group RWAs attributable to Core will increase by 2013 as Non-Core runs down

Notes:
Return represents adjusted Core attributable profit. This is arrived at by taxing Core operating profit at 28% and deducting preference dividends and minority interests attributable to the Core business.
Equity represents spot tangible ordinary and B Shareholders equity for the Core business. The Core businesses proportion is derived based on Core RWAs as a proportion of total RWAs, 70% in 2009.