Non-Core Division Investor Roundtable

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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 RBS Group’s restructuring plans, capitalisation, portfolios, capital ratios, liquidity, risk weighted assets, return on equity, leverage and loan-to-deposit ratios, funding and risk profile; the RBS Group’s future financial performance; the level and extent of future impairments and write-downs; and the RBS Group’s potential exposures to various types of market risks. These statements are based on current plans, estimates and projections , and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

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The forward-looking statements contained in this presentation speak only as of the date of this presentation, and the RBS Group does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Agenda

- Key messages
- Strategic objectives
- 5 year plan
- Progress to date
- Asset Management Strategy
- Financial performance & risk management
- Concluding comments

Key messages
Strategic objectives
5 year plan
Progress to date
Asset Management Strategy
Financial performance & risk management
Concluding comments

Key Messages

Non-Core is central to achieving the Group's 2013 vision

- Non-Core is a central pillar in the RBS Group strategic plan
- Created as the primary driver of Group risk reduction
- A key component of regaining Group standalone strength
- A highly experienced and specialist management team are on board
- Non-Core funded assets 22% of Group balance sheet – c.60% non-strategic
- Significant reduction achieved to date – funded assets down by c25%, run off ahead of plan
- Disposal programme on track – focus on maximising value and capital conservation
- Non-Core run-down significantly improves Group performance, risk, capital and funding
- Risk already significantly reduced, but still work to do

Non-Core Division

Key messages

Strategic objectives

5 year plan

Progress to date

Asset Management Strategy

Financial performance & risk management

Concluding comments

RBS Group Strategic Vision

Non-Core, a central pillar in achieving the Group’s strategic vision

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

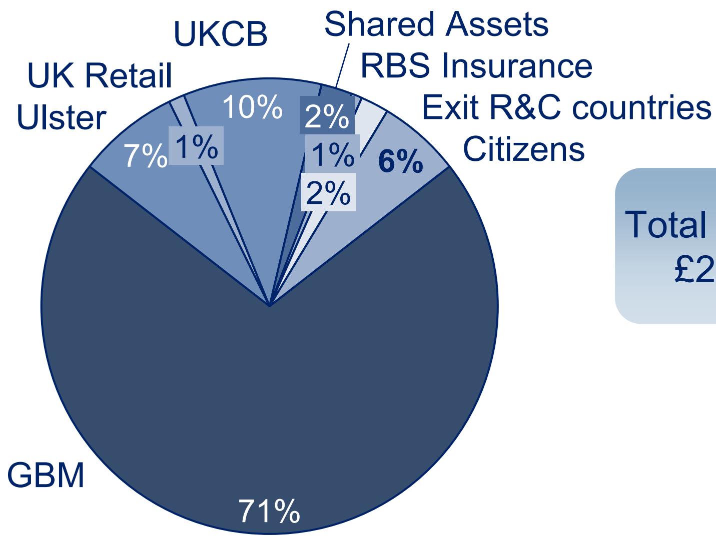
Non-Core in the RBS Group

Removal of Non-Core transforms Group financial performance

2009 actuals		Core	Non-Core	RBS Group
Earnings	Income (£bn)	31.7	-2.3	29.4
	Net Interest Margin (%)	2.1%	0.7%	1.8%
	Operating Profit (£bn)	8.3	-14.6	-6.2
Risk	Income from trading activities (£bn)	9.0	-5.2	3.8
	RWAs (£bn, pre-benefits)	318 76	120 52	438 128
	Risk weightings (%)	44%	92%	52%
	Impairments (£bn)	-4.7	-9.2	-13.9
Funding	Funded assets (£bn)	897	202	1,099
	Loan:Deposit Ratio (%)	104%	1,121%	135%

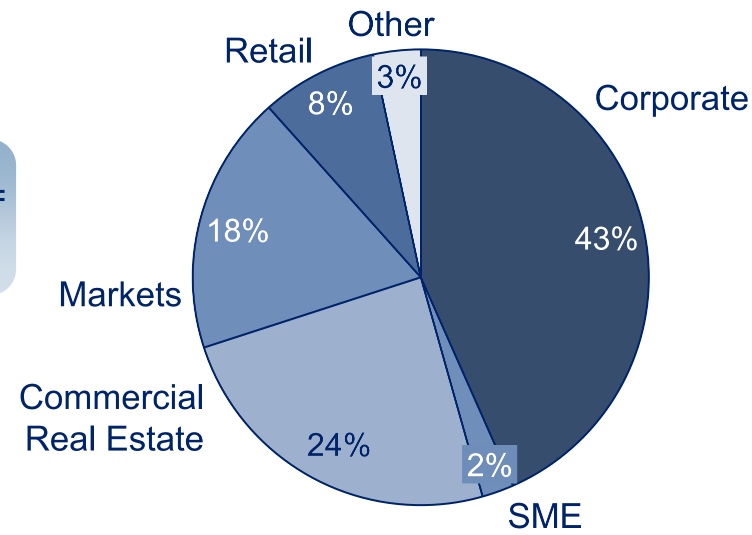
Composition of the Division[1]

Donor Division



Total Assets = £258bn[1]

Asset Class



Commercial RE
- GBM Real Estate
- UK Corporate
- UK Business and Commercial
- Ulster CRE
- Citizens CRE

Corporate
- Leveraged Finance
- Project & Export Finance
- Asset Finance
- Corporate Loans & Securitisations
- Asset Management

Markets
- Structured Credit Portfolios
- Equities
- Credit Collateral Financing
- Exotic Credit Trading
- Sempra

Retail
- UK Mortgages
- Ireland Mortgages
- US Consumer
- Non-Core Countries

SME
- UK Business & Commercial
- Citizens Commercial

Other
- RBS Insurance (Tesco Personal Finance)
- Whole Businesses
- Bank of China / Linea Directa
- ABN AMRO Shared Assets

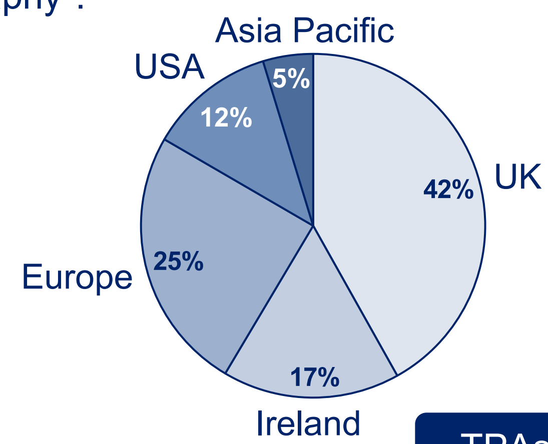
[1]As at inception, 31/12/08. Restated to include Sempra
Note: UKCB = UK Commercial Banking; CRE = Commercial Real Estate

Commercial Real Estate exposure

Diversified sector split; concentration in Western Europe

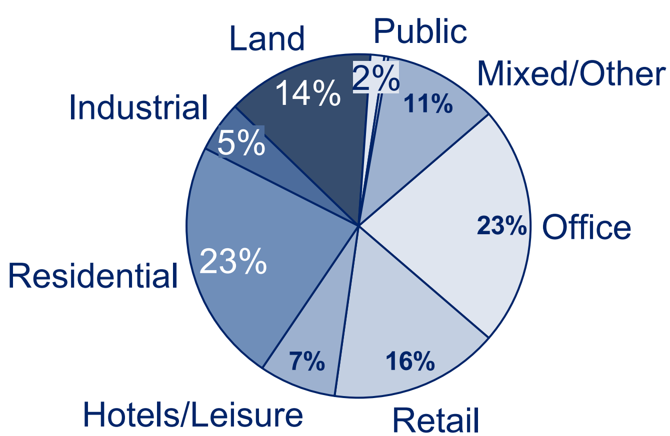
Figures as at year end 2009

By geography[1]:



TPAs = £51bn

By sector[1]:



Cumulative reduction and impairments

- TPAs (Third Party Assets) excluding derivatives reduced by £13.4bn to £49.5bn between January 2009 and end Q1 2010
- Cumulative impairments of £5.5bn to end Q1 2010

Asset characteristics

- UK exposure contributed 36% from GBM, 64% UKCBD
- 56% of European exposure to Germany, 14% to Spain, 9% to Italy
- c.80% of portfolio financing investment, 20% development - UB the exception with c.75% development finance
- c.75% of portfolio financing commercial property, 25% residential – with UKCBD Business and Commercial the exception at c.75% residential
- LTVs under pressure but ICRs still at comfortable levels

Exit strategy

- Mix of managed run-off – see Case Study #3 - and accelerated disposals, focusing on discrete sub-portfolios

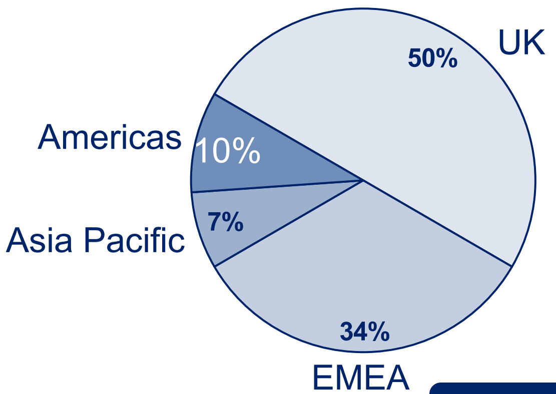
[1] Pie charts created using limits as a proxy for TPAs

Corporates exposure

Highly diverse pool of Corporate exposures; concentration in UK and Europe

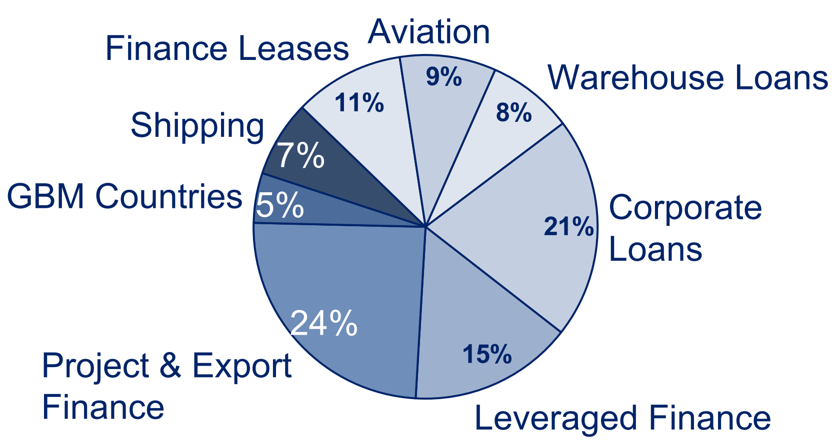
Figures as at year end 2009

By geography:



TPAs = £83bn

By sector:



Cumulative reduction and impairments

- TPAs excluding derivatives reduced by £32.8bn to £78.9bn between January 2009 and end Q1 2010
- Cumulative impairments of £6.3bn through to end Q1 2010

Asset characteristics

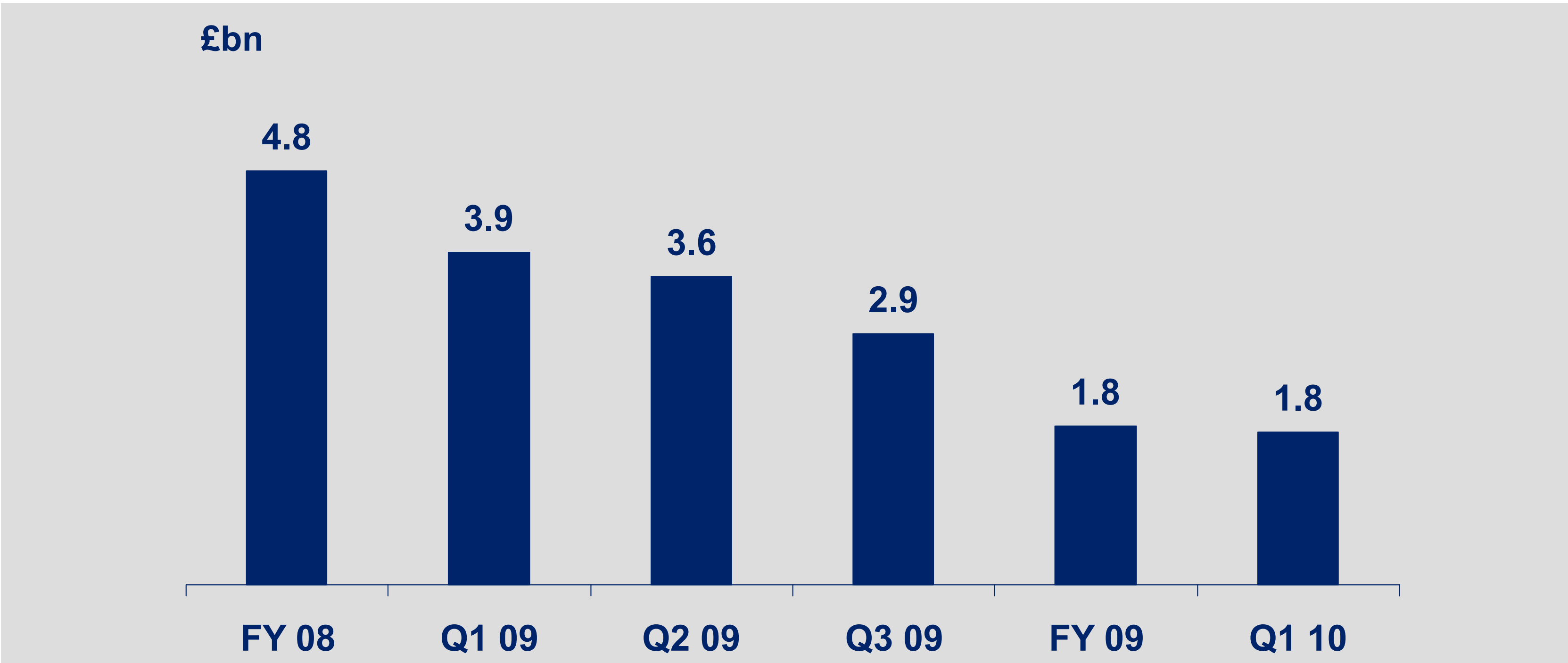
- Highly diversified pool of predominantly corporate exposures – underlying assets or cumulative impairments to date, especially on leveraged loan books, limit downside risk
- Aviation includes aircraft operating lease and lending books
- Project and Export Finance includes project loans and ECA backed loans
- Warehouse loans includes financing of a number of granular asset pools originally acquired with the intention of securitisation

Exit strategy

- Varies by asset class, including whole business disposals, portfolio and "flow" single asset sales and active portfolio management – see Case Studies #2 and #3

Markets exposure – Structured Credit Portfolios

Significant risk reduction – Net MTM Exposure to Monolines has been reduced to £1.8bn at Q1 10, down from £4.8BN at FY 2008



- Significant risk reduction - Net MTM Exposure to Monolines has been reduced to £1.8bn at Q1 2010, down from £4.8bn in December 2008
- Trading losses sustained in Structured Credit Portfolios have moderated in line with the reduction in our net exposure

Note: Net MTM Monoline Exposure is after recognising Fair Value of underlying collateral, CVA reserve, and expected recovery on monoline default
MTM = Marked to Market

Exotic Credit - Managing Down Trading Risk

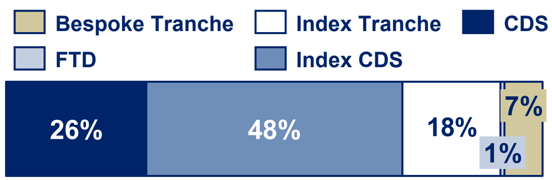
RBS

Successfully reducing trading risk and P&L volatility – all risk measures sharply lower

Notional Exposure by Trade Type
(year-end 2009)

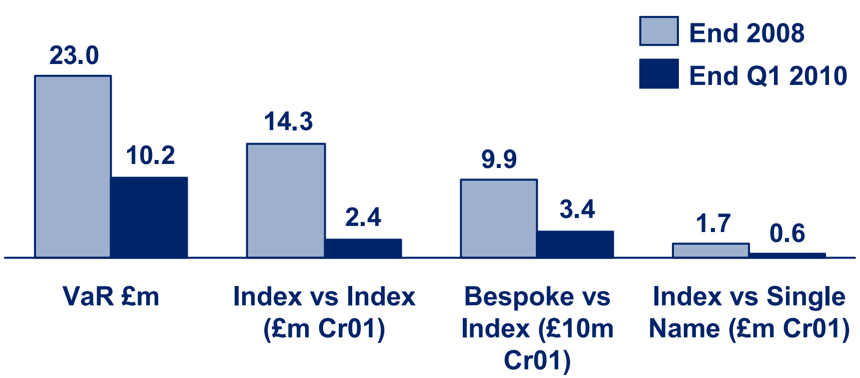
Gross Notional = £808bn

Derivative Assets = £11bn

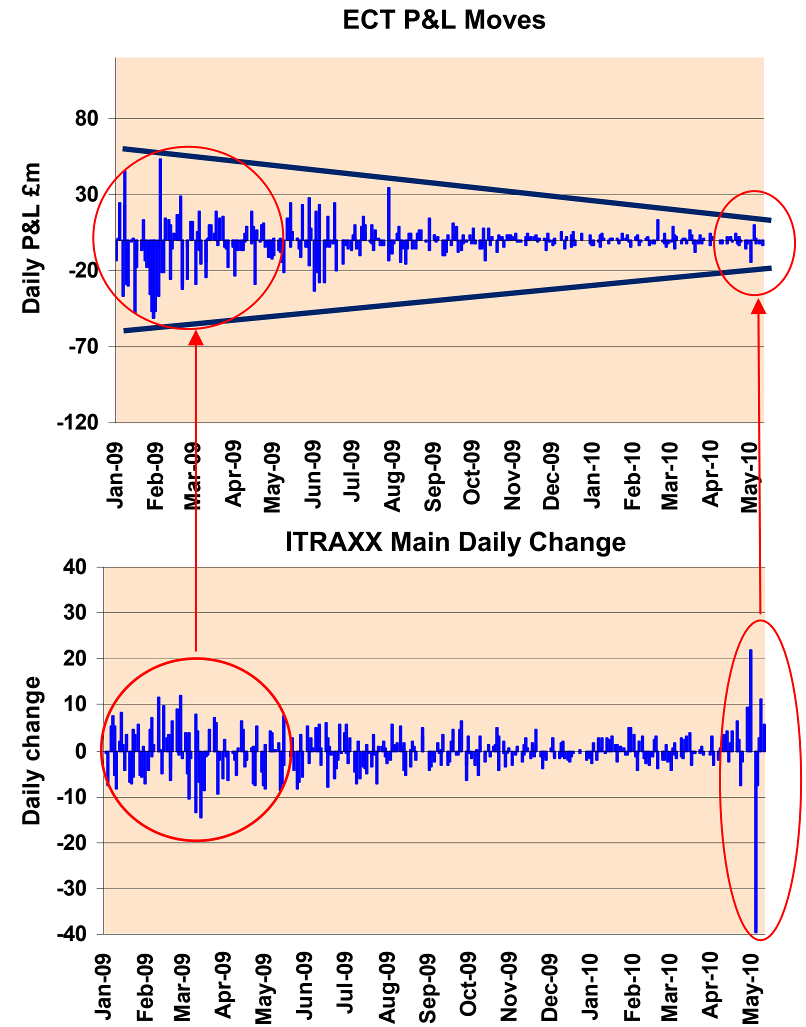


- c.75k trades, gross notional of €808bn
- c.900 bespoke tranches and FTD baskets, gross notional of €64bn
- c.1,200 Reference entities, all corporate/ sovereigns and largely investment grade
- Average maturity 4 years, last trade matures 2019

Exotic Credit Risk Reduction



Contributing to a marked reduction in P&L volatility



[1]Counterparty credit risk, achieved through a reduction in hedges

Notes: Cr01 is the P&L impact of a 1 basis point move in credit spreads; ITRAXX is index of investment grade European corporate CDS; FTD = First to Default

Objectives of the Division

RBS

Achieving run down while maximising shareholder value

Maximise Shareholder Value

- Optimise timing, cost and method of exit
- Accelerate reduction of capital and funding
- Maximise reduction in the RBS Group cost base

Protect the Core RBS franchise

- Free Core business management to focus on continuing businesses
- Preserve Core client relationships with some assets Non-Core
- Rebalance risk profile

Exit Options

- Viable whole businesses
  - Sell now
  - Sell later
- Discontinued businesses/ portfolios
  - Close Now
  - Securitise/ Restructure/ Hedge/Sell
  - Hold to maturity

Non-Core Division – Business management

RBS

A highly experienced management team in place

- Average 24 years in the Banking and Finance industry
- All new into their roles within the last 18 months

£bn, TPAs excl. derivatives, figures as at year end 2009

X TPAs, £bn

X RWAs, £bn

X Headcount

Nathan Bostock
Head of Restructuring & Risk
28 years in the industry

Rory Cullinan
Head of Non-Core Division
27 years in the industry

Euan Hamilton
Deputy Head, Head of Port. & Banking
32 years in the industry

- Real Estate
- Leveraged Finance
- Infrastructure & Asset-Based Finance
- Corporate & Structured Assets

110 69

130

Phil McDuell
Head of Int'l Bus. & Portfolios
23 years in the industry

Retail and commercial

- UK Corporate Banking
- Ulster
- UK Retail
- Citizens

Non-Core countries

- Asia
- LatAm
- EMEA

54 37

13,070

John Anderson
Head of Markets
23 years in the industry

- Exotic credit derivatives
- Other Non-Core trading
- Monolines and ABS

37 62

30

Support functions

Christine Palmer
CRO
22 years in the industry

Maeve Byrne
CFO
11 years in the industry

Non-Core Division

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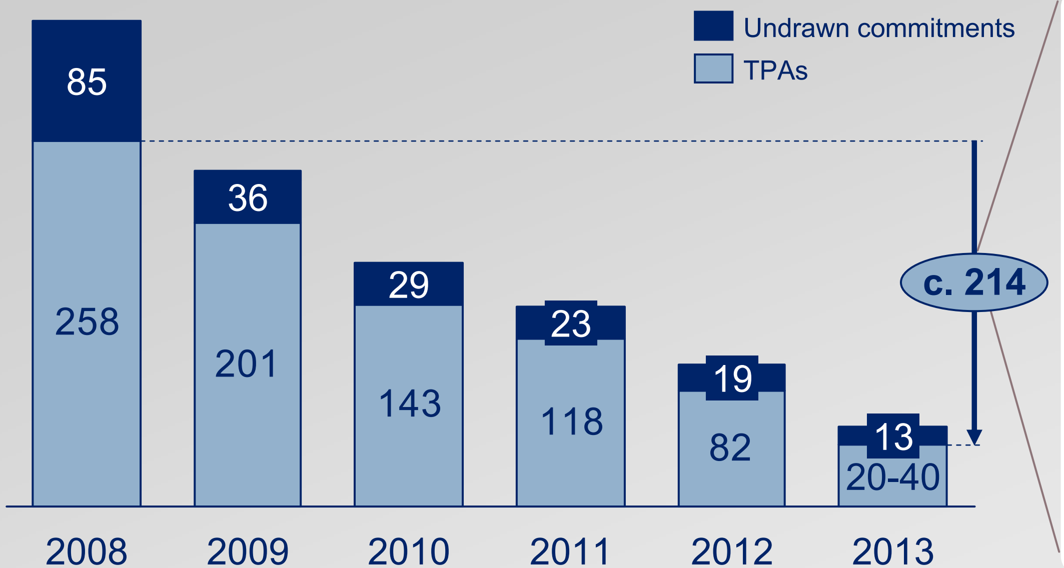
Run-off profile – funded assets

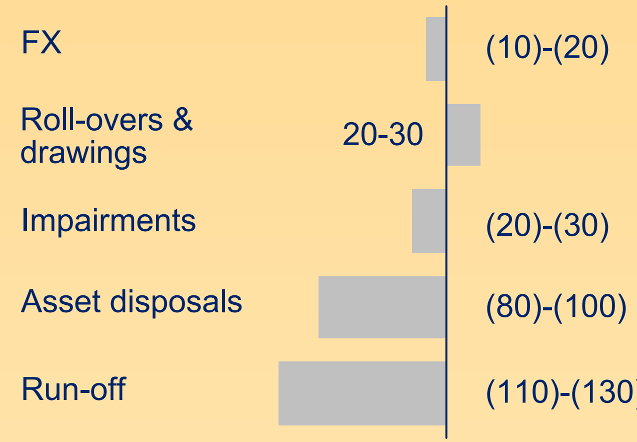
Achieving the plan – c.2/3 run-off; c.40% asset disposals

£bn, funded assets excl. derivatives

Non Core funded assets run-off targets



Breakdown of changes in funded assets, 2009-2013



- Plan revised to reflect removal of c.£30 billion of originally planned securitisations of APS Covered Assets - these transactions are no longer viable under final terms of APS
- Current full year 2013 targets revised to £20-40 billion from c.£20 billion, reflecting the partial replacement of the APS securitisations with additional disposal activity
- Reduction of derivative assets from £85bn to £19.1bn in 15 months to end of Q1 2010

Note: Includes Sempra

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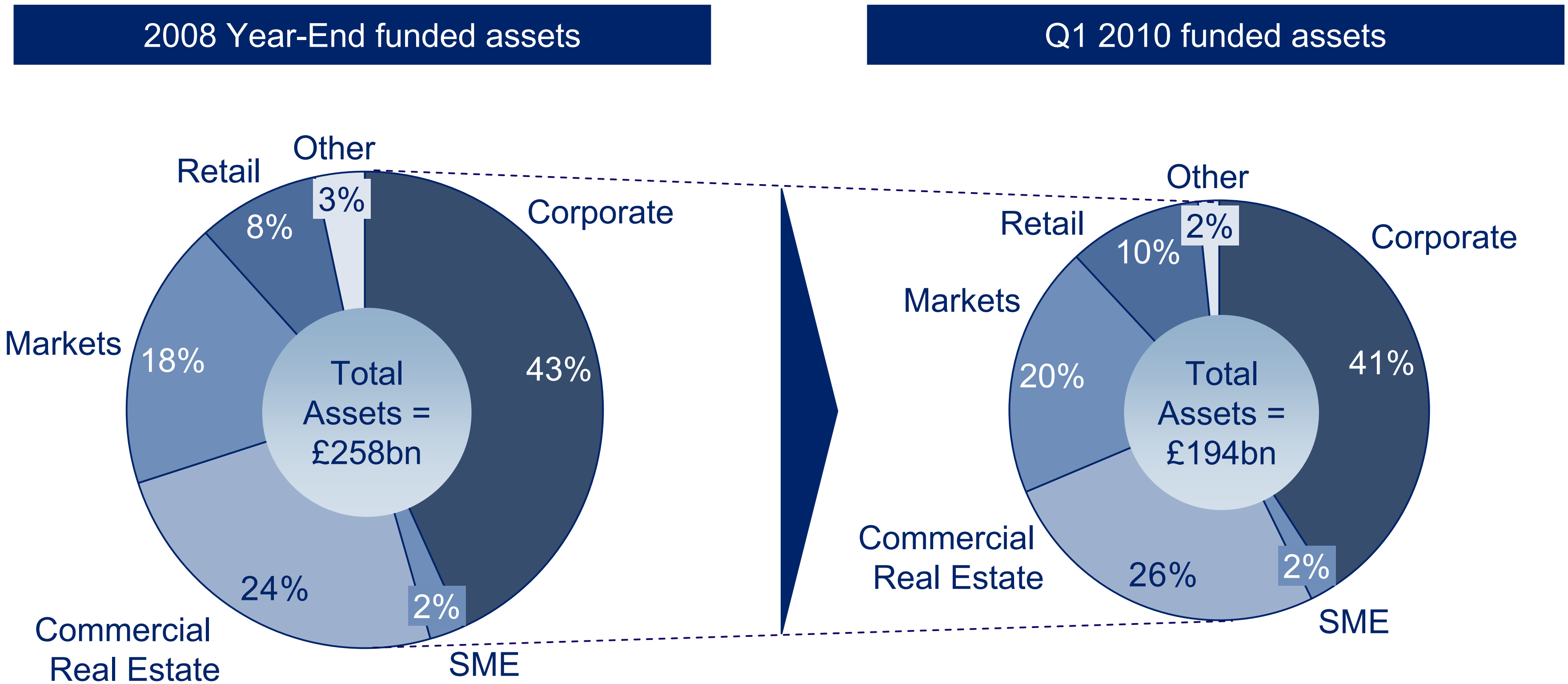
Funded assets by asset class

£64bn reduction in Non-Core funded assets in 15 months (25%)



Key Milestones to Date

Good progress made, slightly ahead of plan

	Key Points
Country Disposals	TPAs reduced by £0.3bn to end Q1 2010, with a further £4.4bn agreed ▪ Six countries sold to ANZ – three completed in Q1 2010 (£0.6bn), an additional three completed in Q2 ▪ Agreement to sell Colombia to Scotia Bank ▪ Four country disposals signed in Q2 2010 (UAE, Pakistan, Kazakhstan and Argentina) ▪ Three other country disposals expected to sign across Asia, LatAm and EMEA
Other Whole Businesses	TPAs reduced by £4.5bn to end Q1 2010 ▪ Stakes in Bank of China and Linea Directa sold H1 2009 ▪ Investment Strategies sold to Aberdeen Asset Management in January 2010 for £84.7m ▪ Invoice Finance Germany and France signed in March and May 2010 respectively ▪ Sale of non-U.S. Sempra operations to JPMorgan agreed ▪ Sale of Kroger Personal Finance credit card portfolio completed end May 2010
Portfolios	Loan assets representing £10.2bn of TPAs disposed since inception to Q1 ▪ Closed disposal of LATAM OBCA Loan Portfolio disposal (£800m) ▪ Net Run-Off of £44bn TPAs ▪ Portfolio Reviews completed in Q4 2009 have given us deeper understanding of portfolio and risk dynamics and are key building blocks for updating our Strategic Plan

BANK OF CHINA

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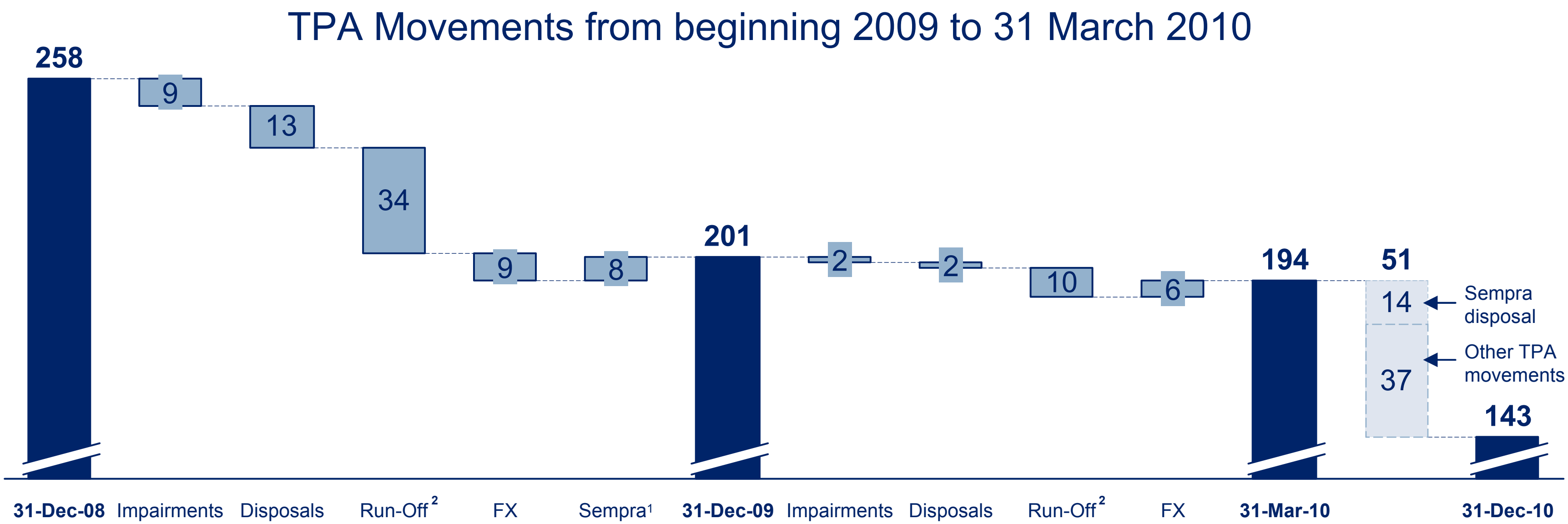
[1]Year-end 2008 figures

Non-Core Financials

Q1 2010 on track to achieve FY 2010 reduction

£bn, TPAs excl. derivatives



- 69% of TPA reduction between year-end 2008 and Q1 2010 has occurred as a result of run-off
- Disposals have accounted for 23% and impairments have accounted for 17% of TPA reductions over the same period
- TPAs are expected to reduce a further 26% from end March 2010 during the last three quarters of the year

[1] Sempra change primarily reflects the re-designation of all assets (including derivatives) to “assets held for disposal”;

[2] Net rollovers and drawings

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Asset Management Objectives & Constraints

Reducing exposures while maximising shareholder value

Asset Management Objectives:

Take risk off the table

- Capital intensive/pro-cyclical assets
- Single name and sector concentrations
- Further credit deterioration, expected upside unlikely

Be opportunistic

- Shrink asset base wherever we can meet our shareholder value objective

Manage Core Strategy conflicts

- Avoid negative impact on “home” markets
- Avoid conflicts with other strategic/franchise commitments

Minimise risk in residual asset pool

- Either very low credit risk or fully provided

Constraints impacting disposals:

Internal

- Group capital management
- Non-Core risk reduction and IFTA[1] performance
- Non-Core impairment levels

Market & External

- Economic outlook – potential double dip recession
- Market risk appetite
- Liquidity
- Underlying asset markets – soft real asset valuations, especially in real estate
- Wholesale market funding reduction plan
- Significant increase in capital requirements expected under Basel 3 amendments

[1] Income from trading activities

Managing Portfolio Run-Off

Active portfolio management is central to delivering our strategy

£bn, TPAs excl. derivatives

Strategic Plan TPA Movements 2009-13

- c£90-100bn of run-off (net of rollovers and drawings) during 2009-13 will only be achieved through proactive portfolio stewardship
- Amortisation rates vary significantly by asset class, depending on structuring norms, legal maturity dates and customer behaviour
- Rollovers expected to be concentrated in certain asset classes, especially commercial real estate
- Drawings under committed facilities expected to continue to be limited, with unused lines reduced wherever possible

Cumulative Run-Off[1] 2009-13 (£bn)

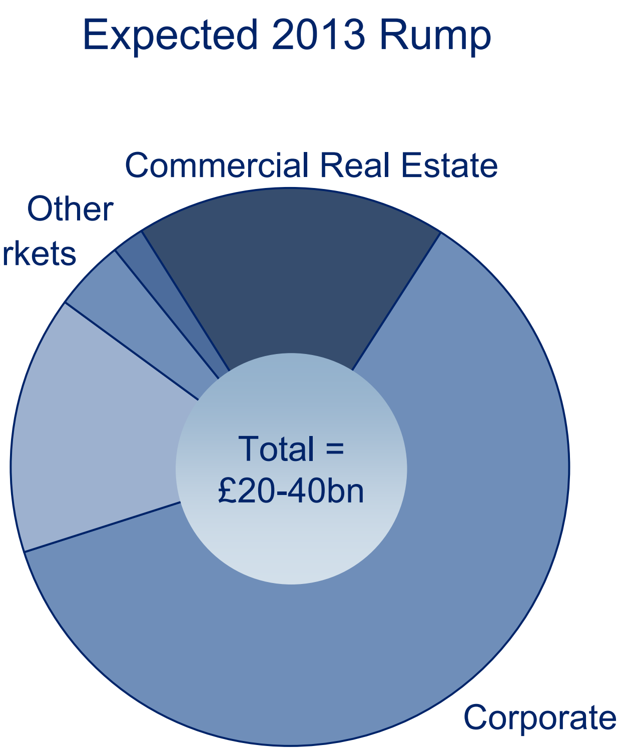
	At year end 2008 £bn	Cumulative run-off
Corporate	112	40-50
Commercial RE	63	40-50
Markets	47	20-25
Retail	21	5-15
SME	6	3-5
Other	9	3-5

[1]Cumulative run-off figures exclude disposals, impairments, drawings, rollovers and FX

Managing the rump

Expected composition of 2013 rump

TPAs excl. derivatives



- Rump is expected to be primarily CRE exposures and Corporate assets, comprised of
  - Asset Finance (10-20%)
  - Project Finance (50-60%)
  - Corporate Loans (10-20%)
  - Warehouse Loans (10-20%)
  - Leveraged Finance (0-5%)
- Assets fall into three categories
  - Money-good assets expected to mature during 2014-15
  - Longer-dated money-good assets whose yield and duration would drive significant intrinsic value discounts
  - Higher risk assets expected to be difficult or costly to exit
- Decision will be made in outer years as to the final exit strategy, including whether to extend 1-2 years

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Financial Performance

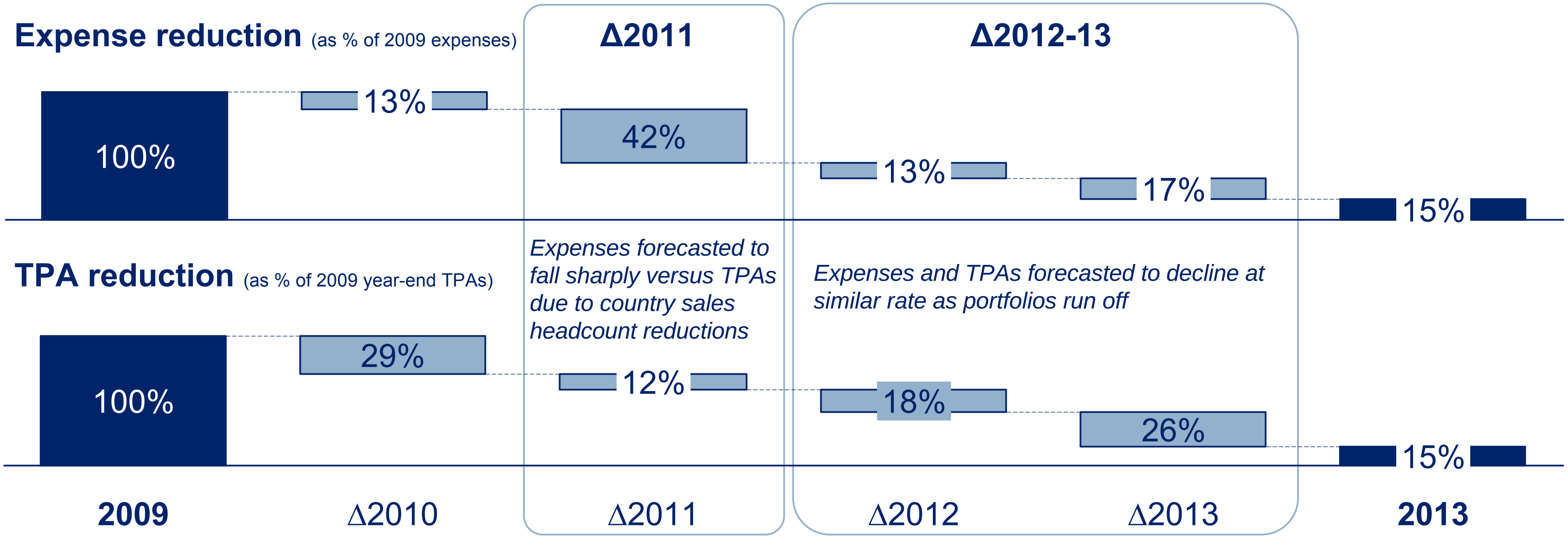
Understanding the key drivers

	FY 2008	FY 2009	Q1 2010	Drivers / Outlook
Funded assets (excl. derivatives)	257.9	201.0	193.5	▪ TPA reduction driven by disposals and active management of run off.
RWAs	170.9	171.3	164.3	▪ RWA development reflects the impacts of Structured Credit downgrades, disposal de-risking, restructures and regulatory developments
Net Interest Income from Banking Activities	2.2	1.5	0.6	▪ Includes the impacts of long term funding allocations and gradually declines in line with country and asset disposal plans
Other income				
Income from Trading Activities	(7.7)	(5.2)	(0.1)	▪ Reflects market volatility, dampened by ongoing active risk management to reduce potential exposures
Losses on Disposal / Other Items	(0.2)	(0.7)	0.0	▪ Driven by market conditions and speed of execution of disposal plans
Rental Income	0.7	0.7	0.2	▪ Remains broadly flat year on year while operating lease businesses continue
Fees & Commissions Income	0.9	0.5	0.1	▪ Recurring fees and commissions related to size of activities of division
Insurance Premium Income Net Claims	0.3	0.2	0.0	▪ Reflects the run down of TPF insurance activity
Expenses	(2.7)	(2.4)	(0.7)	▪ Reduces in line with country, business and portfolio disposal plans
Profit Before Impairment Losses	*(6.5)*	*(5.4)*	*0.1*	
Impairments	(4.9)	(9.2)	(1.7)	▪ Reflect an improving trend over the past four quarters, but remains vulnerable to weakening conditions, notably in commercial real estate exposures
Profit / Loss Before Tax	*(11.4)*	*(14.6)*	*(1.6)*	▪ Driven by the continued volatility in IFTA and trends in impairments
Net Interest Margin	0.87%	0.69%	1.25%	▪ Net Interest Margin expected to trend slightly downwards from Q1 10 due to country disposals

Expenses

Expenses fall off significantly over 2011 due to country sales, then in line with portfolios

Pace of expense reduction vs. TPA reduction



- Expenses will not fall at the same pace as TPAs over 2010 due to the build out of Divisional infrastructure and limited headcount reduction
- With over 2/3 of Divisional headcount in exit countries and whole businesses, the disposal of the majority of these entities in 2010 and early 2011 is expected to drive a significant fall in expenses in 2011
- Following 2011, expense reductions are expected to fall in line with TPAs as portfolios run-off

Note: TPAs exclude derivative assets

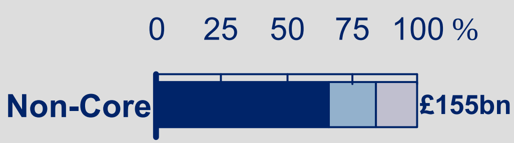
Credit Risk - Portfolio Quality

RBS

34% of credit exposures undergo heightened monitoring or are non-performing

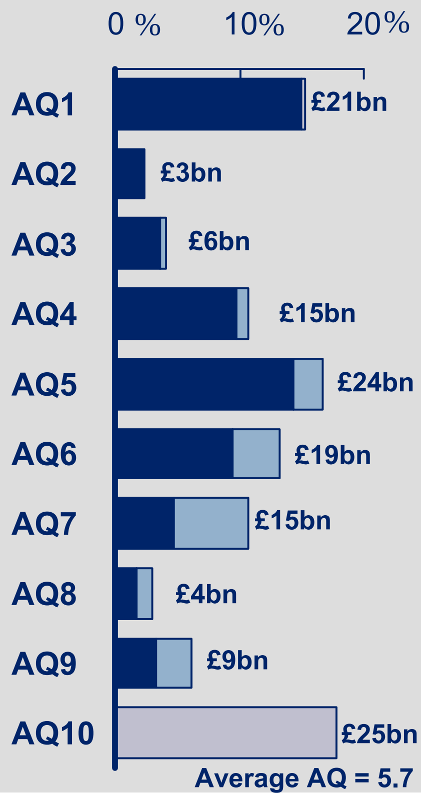
Exposure by division

Portfolio by division



Exposure[1] risk rating

Portfolio by grade



Portfolio performance *TCRE, £bn*

	31/03/10	31/12/09	30/06/09
Normal monitoring	**103**	**105**	**98**
o/w Financial institutions	16	17	10
o/w Corporates and personal	87	88	88
Heightened monitoring	**27**	**30**	**41**
o/w Financial institutions	5	6	8
o/w Corporates and Personal	22	24	33
Defaulted assets	**25**	**23**	**21**
Total	**155**	**158**	**160**

- Normal monitoring
- Heightened monitoring
- Non-performing book

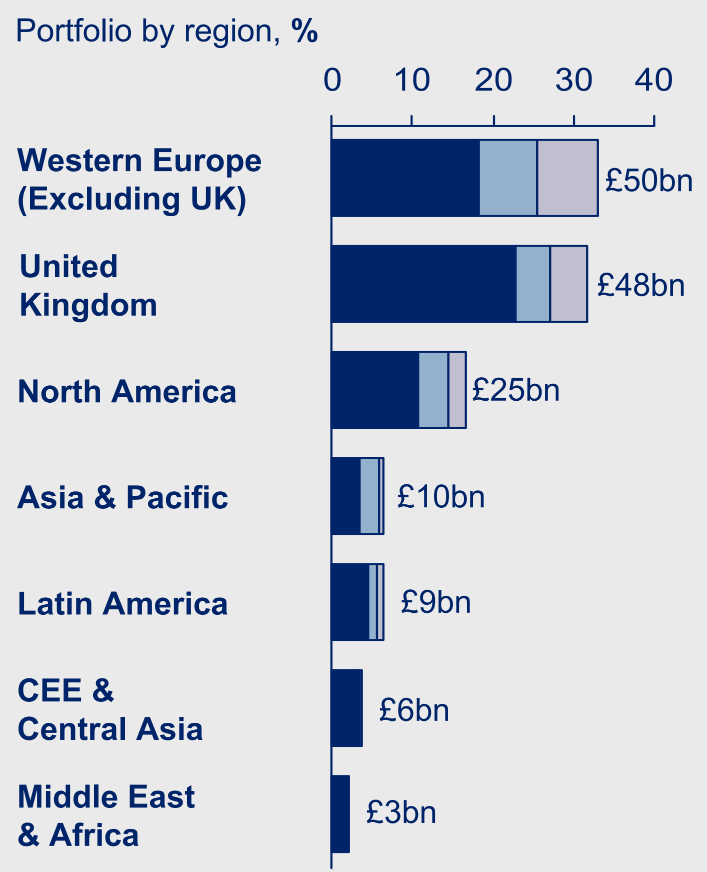
Notes: 1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types. Asset Quality (AQ) bands allow the internal reporting and oversight of risk assets 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 £14bn 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.

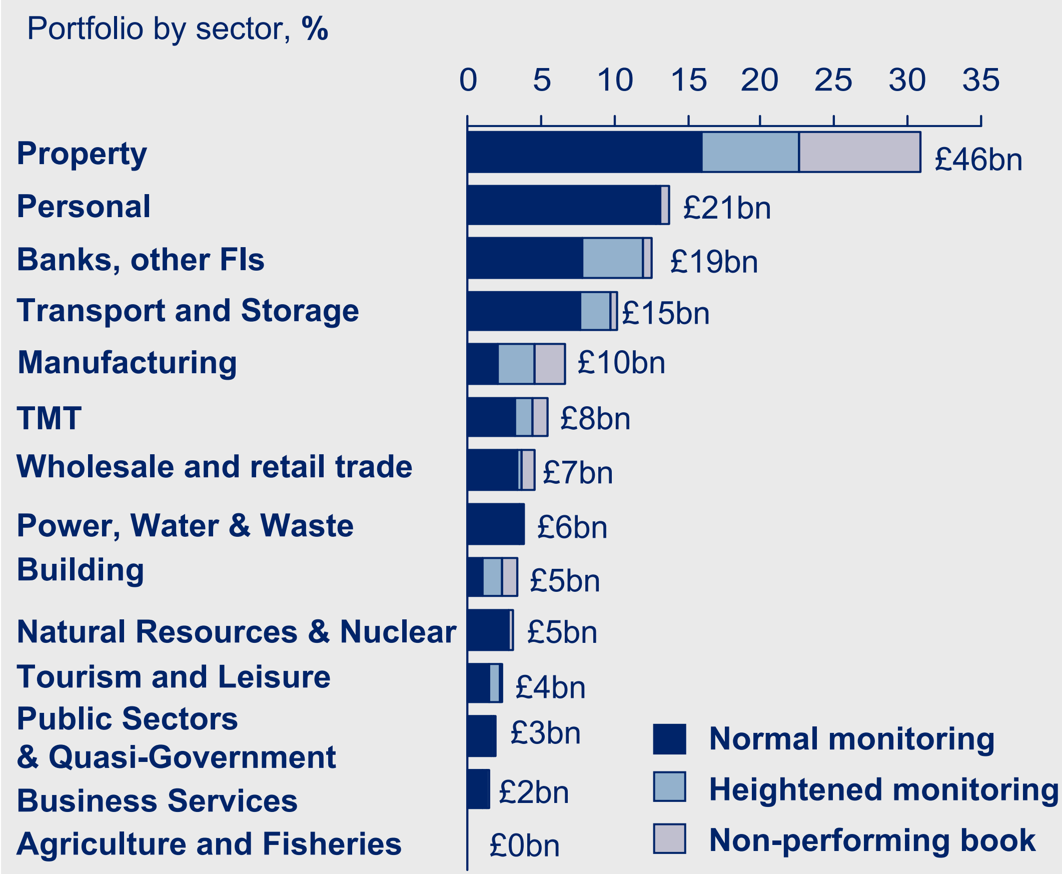
Credit Risk - Portfolio Quality

Well spread geographically; but high property exposure

Exposure by region



Exposure by sector



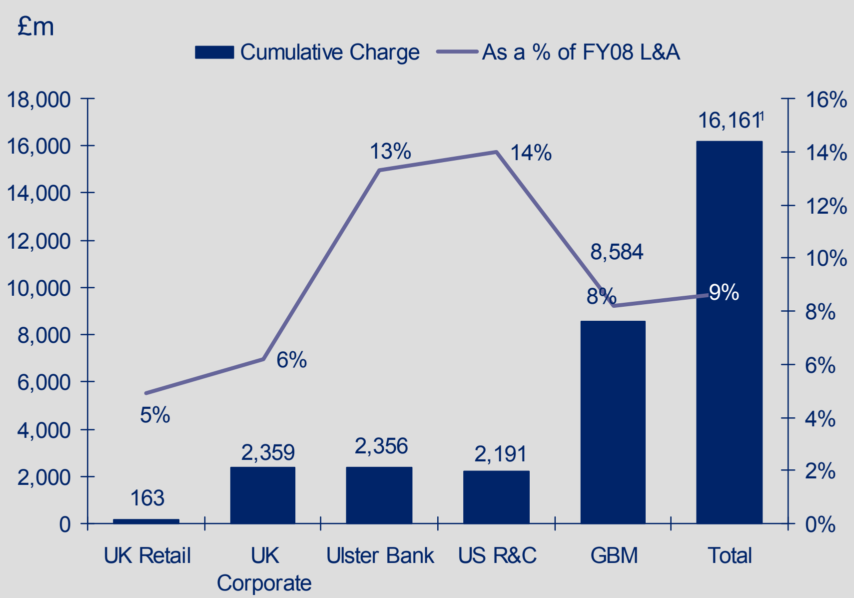
1 Exposures are defined as credit risk assets consisting of loans and advances (including overdraft facilities), instalment credit, finance lease receivables and other traded instruments across all customer types. As at 31/12/09.

Impairment trends

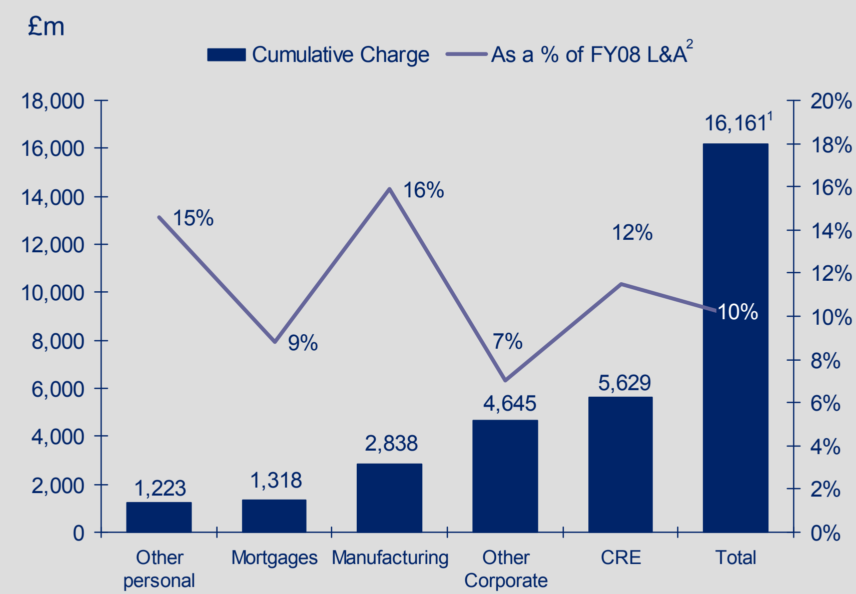
RBS

£16.2bn Cumulative Impairments 2008-Q1 2010 – Challenges remain in CRE and Ulster

Cumulative impairments by division



Cumulative impairments by sector



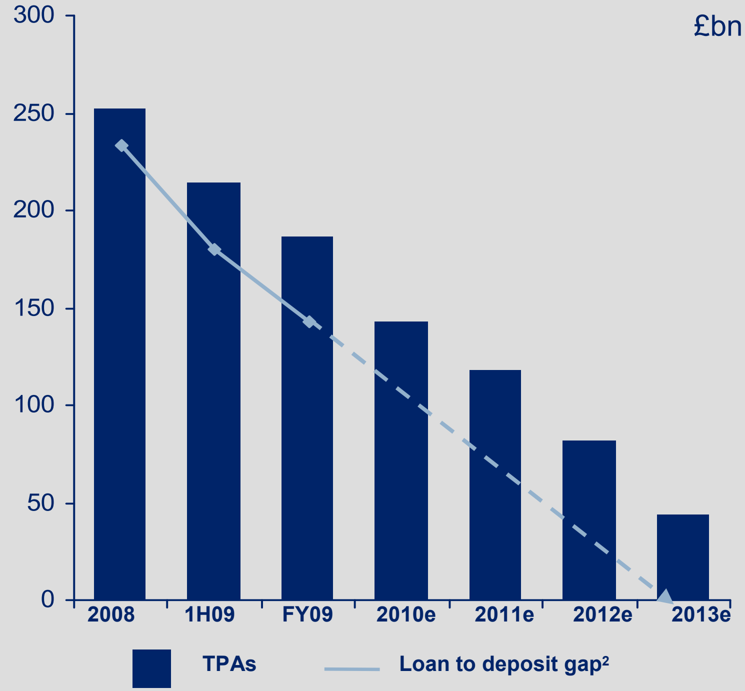
- Large Corporate and Retail impairments are trending favourably
- Expect Commercial Real Estate impairments to remain elevated, particularly in Ulster Bank
- Expect absolute numbers to decline as portfolio declines
- See appendix slides for more detail

[1] £10.9bn of impairments have been recognized over the period 1/1/09-31/3/10; balance of £5.2bn reflected in earlier periods. US R&C includes c£300m FY07 impairment charge relating to its Serviced by others (SBO) mortgage portfolio in addition to its FY08 to Q110 charges.
[2] GBM FY08 L&A sector split not available so FY09 L&A used to calculate the impairment charge as a % of L&A.

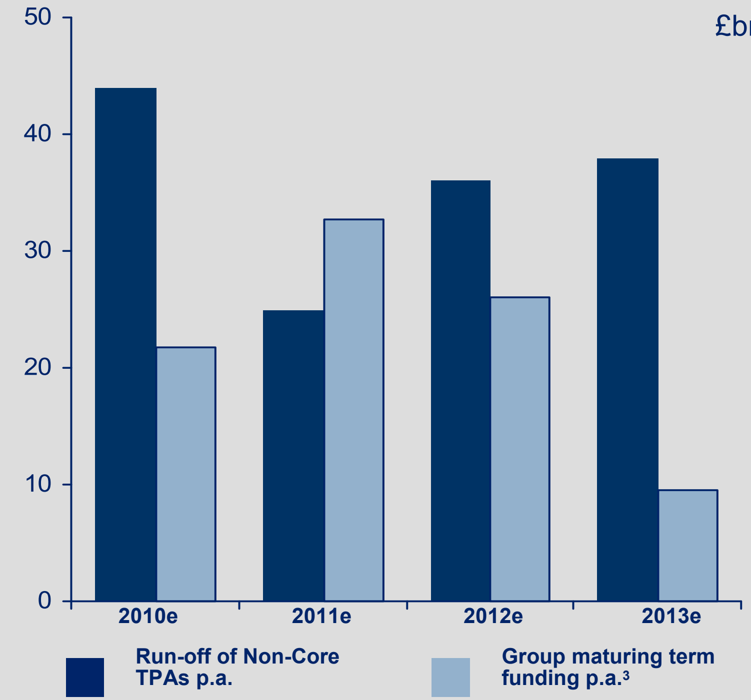
Funding

Non-Core run-off is a significant component of the Group strategic funding plan

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]



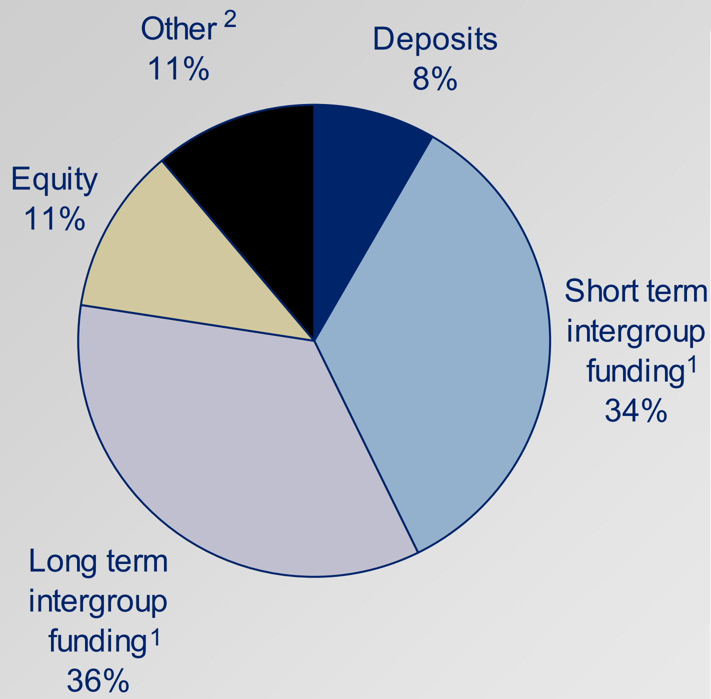
- Reduction in loan:deposit gap, expected to trend closely with the run-off of Non-Core
- Future wholesale refinancing requirement is outweighed by the level of run-off from Non-Core

[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)

Funding

Non-Core relies primarily on wholesale funding

Indicative breakdown of Non-Core funded balance sheet[1]



- Group loan-to-deposit ratio is 131% versus Core of 102% (Q1 2010). Non-Core is largely wholesale funded
- RBS has a strategic funding plan for the overall Group for the period to 2014 – the run down of and funding plan for Non-Core are in-line with the overall Group funding objectives
- The strategic funding plan is based on industry and regulatory level developments with respect to reducing the reliance on short-term funding
- Intergroup funding is notionally allocated to Non-Core for funding cost calculations only[1]
- These allocations are in-line with the Group's overall funding profile and reflect the long-term nature of the assets in Non-Core
- The evolution of the Group's funding profile and costs, including Non-Core, is fully reflected in the Strategic Plan targets

[1] Intergroup funding split is based on internal pricing and cost allocation systems and methodology. The legal obligation to service debt interest costs and principal repayment remain with the relevant group entity. No debt instrument issued by RBSG or subsidiary companies is specifically allocated to and reliant on the performance of Non-Core

[2] Other Liabilities include insurance liabilities, repos and other accounting line items

Non-Core Division

Key messages

Strategic objectives

5 year plan

Progress to date

Asset Management Strategy

Financial performance & risk management

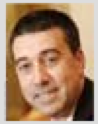
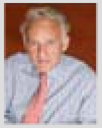
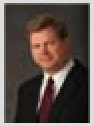
Concluding comments

Concluding comments

- Non-Core is a central pillar in the RBS Group strategic plan
- The run-off of Non-Core significantly improves Group performance, risk, capital and funding; addressing every area of failure
- Significant progress made to date – TPAs reduced by 25%, run-off ahead of plan
- Focused on maximising value & capital preservation for shareholders
- Risk significantly reduced, but still work to do

Appendix

Non-Core Management CVs

	Name	Title	Background
	Nathan Bostock	**Head of Restructuring & Risk**	▪ Nathan joined RBS in February 2009 as Head of Restructuring & Risk. Formerly CFO of Abbey National and Alliance & Leicester, he started his career with Coopers and Lybrand before working in Financial Markets at Chase Manhattan Bank and RBS. Other roles have included Director, Group Risk for RBS (until 2001): while at Abbey, he held various roles including Head of Wholesale Markets and Head of the Portfolio Business Unit (the non-core business division created in 2002).
	Rory Cullinan	**Head of Non-Core**	▪ Rory rejoined RBS in January 2009. Prior to this, he spent 16 months at private equity firm Renaissance Capital on the group board and as deputy chairman. Rory previously worked for RBS, leading its equity finance division and he sat on the board for corporate banking and financial markets from 2001 to 2005. Before joining RBS, Rory spent eight years in banking in South Africa, Europe and the US, mainly with Citibank.
	Euan Hamilton	**Deputy Head of Non-Core & APS and Head of Non-Core Portfolio & Banking**	▪ Euan is Deputy Head of the Non-Core Division and Head of Portfolio & Banking He joined RBS in 1978 and has held a number of senior roles across credit and relationship management. Prior to moving to Non-Core he was responsible for the Bank's Financial Institutions & Portfolio Management businesses and the Bank's global leveraged franchise. He also shared responsibility for the development of the banking businesses in North America. Euan is a Fellow of the Chartered Institute of Bankers in Scotland.
	Philip McDuell	**Head of Non-Core International Businesses & Portfolios**	▪ Philip McDuell joined RBS in June 2009 as Head of International Businesses and Portfolios for the Non-Core Division & APS. He has extensive experience in managing businesses through change, especially restructuring and divestment. Previous roles at Abbey National, Barclays Capital, Barclays Wealth, HSBC and Fitch Ratings have covered mortgage and consumer credit, life assurance, corporate and asset finance businesses, as well as credit-based capital markets businesses in Europe, Asia and the Middle East.
	John Anderson	**Head of Non-Core Markets**	▪ John Anderson is the Head of Non-Core Markets. Previously he was Head of RBS's Strategic Assets Unit, formed in May 2008 to manage monoline and other troubled asset backed exposures. Prior to this, he was head of RBS's US structured finance and principal investment businesses. John has been with RBS for 18 years and is based in Stamford, Connecticut.
	Maeve Byrne	**CFO, Non-Core Division**	▪ Maeve Byrne is a partner with KPMG and joined the Non-Core division for a 12 month secondment as CFO starting in May 2010. Maeve's background is in advising the financial services industry and she has 15 years of transaction services experience globally, significantly strengthening our capability in this key area of the Non-Core strategy. She joined the Transaction Service practice in London as a partner in March 2005. Prior to that, Maeve was a partner in KPMG Germany and led the Financial Services Transaction Services practice in Frankfurt.
	Christine Palmer	**CRO, Non-Core & APS**	▪ Christine is the Chief Risk Officer for the Non Core Division where she has executive responsibility for the risk functions supporting the businesses within this division. Prior to this, Christine was the divisional Chief Credit Officer for GBM. Christine joined RBS Group Risk in September 2002 holding a variety of positions in Credit Policy and Credit Quality Assurance. Prior to joining RBS, Christine worked for Ernst & Young, ING Bank and ABN AMRO.

Illustrative Selection of Assets for the Non-Core Division

RBS

Five tests determined whether an asset/business remained Core

	Core business criteria	*Non-Core businesses*
1. Customer franchise	▪ Have a strong market share ▪ Have a sustainable customer franchise ▪ Are competitive in the changing market environment	**Weak customer franchise**
2. Returns	▪ Generate returns above our 15% hurdle rate across the cycle – higher for riskier businesses	**Returns <15% over cycle**
3. Growth	▪ Can achieve at least 5-10% organic growth in normal times	**<5% organic growth potential**
4 Risk and funding	▪ Are proportionate users of risk and balance sheet given their profitability ▪ Have sustainable funding requirements	**Disproportionate use of capital and funding**
5. Connectivity	▪ Fit with the overall continuing RBS franchise ▪ Leverage shared skills, efficiencies and client relationships	**Absence of connectivity with overall RBS franchise**

Illustrative Selection of Assets for the Non-Core Division

✓ Pass
✗ Fail

	Franchise	Returns	Growth	Risk and Funding	Connectivity	Comments
Leveraged Finance	✓	✗	✗	✗	✓	• Market effectively closed until late 2009; likely to remain so for some years and recover slowly • Very cyclical market, where risk and reward regularly become misaligned • We are no longer an efficient holder of these assets
Real Estate	✓	✗	✓ Long term	✗	Limited	• Market-wide and RBS concentration problem • Distribution markets effectively closed – large overhang of maturing loan/CMBS transactions will slow medium term recovery and growth • Limited connectivity with the core client base • We are no longer an efficient holder of these assets, given illiquidity and procyclicality

Non-Core and APS Overlap

45% of insured assets are held by the Non-Core Division

£bn, figures as at year end 2009

	Core	Non-core
APS	76 (13%; 55%)	52 (9%; 45%)
Non-APS	318 (56%)	120 (21%)

- RWAs (before APS benefit)
- Covered Assets
- % of Group RWAs
- % of Group Covered Assets

- APS will cover 22% of Group RWAs
- The Non-Core Division holds 30% of Group RWAs and 45% of APS Covered Assets

RWAs	566
Covered Assets	231

Case Study #1: Country Exit - Colombia

RBS

Stage of sale

Marketing | Negotiation | Closing | Post-Closing

December 2008 | June 2009 | December 2009 | June 2010 | December 2010 | June 2011 | December 2011 | June 2012

April 2009

Initial approach to market all 4 Non-Core Latam countries and Latam OBCA to regional buyers

September 2009

Initiated marketing of each country separately following failure to identify a regional buyer

1 March 2010

ScotiaBank signs SPA, following two months of exclusive negotiations

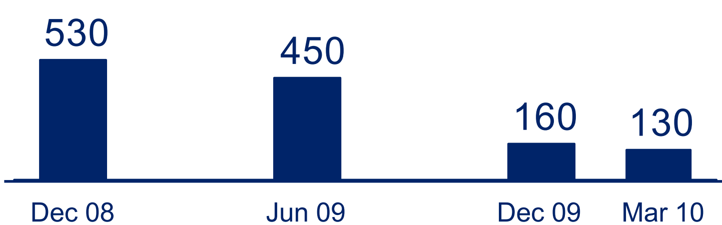
16 July 2010

ScotiaBank sale expected to complete

Transitional Service Period expected

Tail Risk on majority of Indemnities and Warranties

£m, TPAs excl. derivatives



- Following announcement of transfer of Colombia to Non-Core and launch of disposal process in H1 2010, a number of customers refinanced maturing facilities with other banks
- At of signing, TPAs had run down to c.25% of the year end 2008 balance

Case Study #2: On Going Tactical Disposals

	Description
"Flow" Asset Sales	■ Since January 2009, £3.3bn of loans sold bilaterally ■ Exposure to over 140 borrowers reduced through over 360 transactions ranging in size from over £100m down to < £100,000 ■ Leveraged loan exposure reduced by £1.9bn, including £1.1bn on a Single Name Concentration
Kroger Personal Finance	■ Financial services JV between Citizens and Kroger, a leading US supermarket - similar to Tesco Personal Finance in the UK ■ Notice of JV termination given in May 2009 - search for replacement partner started ■ Agreement to transfer the credit card book to US Bank signed on 26 May and closed on 28 May - servicing by Citizens to continue till October 2010 ■ US\$500m of assets and over US\$3bn of undrawn commitments exited
Disposal of PE Funds	■ Through 2009, discounts on secondary sales of private equity investments were c.35-55% - representing an unacceptable loss of value ■ We therefore focused on preparing our portfolio of European Private Equity investments for sale, giving us first mover benefits when market conditions improved ■ Taking advantage of improving sentiment in Q1 2010, we ran a tightly contested auction leading to agreement to sell our whole portfolio to a single investor for a considerably higher valuation ■ Sale will release substantial capital for the bank, given an average RWA weighting of 190%

Case Study #3: Active Portfolio Management

	Description
Sighting & Capital Allocation Committee (SCAC)	■ SCAC established to ensure consistent, disciplined approach to responding to new borrowing, extension and covenant waiver requests for the wholesale portfolios ■ Since inception in October 2009, SCAC has made over 200 decisions, affecting >£11bn of gross limits promoting potential net RWA reductions of >£300m driven by structural improvements in the terms of deals
Project Valete	■ Globally coordinated programme to exit exposures to Non-Core corporate customers across the global GBM network ■ Approach customers early and encourage them to make alternative financing arrangements ■ Corporate lending TPAs, a component of Corporates Asset Class, reduced by £1.5bn to £7.4bn in 4 months to April 2010 ■ Opportunities for further reductions of up to £1bn in H2 identified
Real Estate Finance example – targeting maturities early and leveraging our relationships	■ Approached borrower under a real estate loan facility on an office property 9 months ahead of maturity to advice that we would not be willing to extend ■ Borrower sought a haircut of 15% of the principal based on potential funding gap ■ Market intelligence confirmed that 100% refinancing of our principal in the market was achievable and further that structural improvements to the security arrangements would reduce refinancing costs ■ By additionally leveraging our broader relationship with the borrower, we secured full repayment on original maturity

Impairment trends

		Impairment Charge					
		31/03/10 £m	31/12/09 £m	31/12/08 £m	Cumulative Charge £m	FY08 Gross Loans & Advances £bn	Cumulative charge as a % of L&A
UK Retail	Mortgages	3	5	1	9	2.2	0.4%
	Personal	2	48	42	92	1.1	8.4%
	Total UK Retail	**5**	**53**	**105**	**163**	**3.3**	**4.9%**
UK Corporate	Manufacturing	5	87	42	124	0.3	41.3%
	Property & Construction	54	637	481	972	11.3	8.6%
	Other	106	953	204	1,263	27.0	10.3%
	Total UK Corporate	**155**	**1,677**	**527**	**2,359**	**38.1**	**6.2%**
Ulster Bank	Mortgages	20	42	6	68	6.5	1.0%
	Commercial Inv & Devt.	110	302	9	421	2.9	14.5%
	Residential Inv & Devt.	351	716	229	1,296	5.9	22.0%
	Other	51	217	44	312	1.1	29.8%
	Other EMEA	20	107	132	259	1.3	18.7%
	Total Ulster Bank	**552**	**1,384**	**420**	**2,356**	**17.7**	**13.3%**
US R&C	Auto & Consumer	15	136	140	291	4.2	6.9%
	Cards	14	130	63	207	0.7	29.6%
	SBO/Home equity	102	445	621[1]	1,168	5.2	22.5%
	Residential Mortgages	12	55	6	73	1.1	6.6%
	CRE	63	228	54	345	3.0	11.5%
	Commercial & other	2	85	20	107	1.4	7.6%
	Total US R&C	**208**	**1,079**	**904**[1]	**2,191**	**15.6**	**14.0%**

[1] Includes £321m of reported US R&C impairments for FY08 in addition to £300m relating to charges taken on the Serviced by others mortgage portfolio in FY07

Impairment trends cont'd

Cont'd		Impairment Charge 31/03/10 £m	31/12/09 £m	31/12/08 £m	Cumulative Charge £m	FY08 Gross Loans & Advances £bn[2]	Cumulative charge as a % of L&A[2]
GBM	Manufacturing & Infrastructure	29	1,405	1,280	2,714	-	15.5%
	Property & Construction	472	1,413	710	2,595	-	10.1%
	Transport	1	178	12	191	-	3.3%
	TMT	11	545	55	589	-	18.4%
	Banks & FI	161	567	870	1,598	-	10.0%
	Other	101	619	177	897	-	6.6%
	Total GBM	**753**	**4,727**	**3,104**	**8,584**	**104.8**	**10.5%**
Total Non-Core		**1,704**	**9,221**	**5,236[1]**	**16,161**	**184.7**	**8.7%**
Summary by Product[2]:	Mortgages	137	547	634[1]	1,318	15.0	8.8%
	Personal	102	638	483	1,223	8.4	14.6%
	Commercial Property	1,050	3,296	1,283	5,629	48.8	11.5%
	Manufacturing	24	1,492	1,322	2,838	17.8	15.9%
	Other Corporate	360	2,947	1,338	4,645	66.4	7.0%
	Other	31	301	176	508	5.2	9.8%

[1] Includes £321m of reported US R&C impairments for FY08 in addition to £300m relating to charges taken on the Serviced by others mortgage portfolio in FY07

[2] Breakdown of GBM L&A is not available for FY08. GBM's contribution to the sector splits is therefore based on FY09 L&A data. As a result, the sum of the L&A by product does not reconcile to the £184.7bn of FY08 Non-Core L&As.