United Kingdom
Full Rating Report

The Royal Bank of Scotland Group plc

Ratings

Foreign Currency

Long-Term IDR	AA-
Short-Term IDR	F1+
Individual Rating	C/D
Support Rating	1
Support Rating Floor	AA-

Sovereign Risk

Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term Rating	AAA

The Royal Bank of Scotland plc

Long-Term IDR	AA-
Short-Term IDR	F1+
Individual Rating	C/D
Support Rating	1
Support Rating Floor	AA-

Outlooks

Foreign-Currency Long-Term IDRs	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

The Royal Bank of Scotland Group plc – Statutory Results

	31 Mar 10	31 Dec 09
Total assets (USDm)	2,675,037	2,747,434
Total assets (GBPm)	1,765,712	1,696,486
Total equity (GBPm)	77,453	83,044
Operating profit (GBPm)	-5	-8,533
Published net income (GBPm)	201	-2,323
Comprehensive income (GBPm)	1,091	-6,158
Operating ROAA (%)	0.00	-0.43
Operating ROAE (%)	-0.03	-12.13
Internal capital generation (%)	1.05	-2.80
Eligible capital/ weighted risks (%)	9.42	10.55
Tier 1 ratio (%)	12.50	14.10

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Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria (December 2009)*

Other Research

- *UK Major Banks: Reasons to be Cheerful or a False Dawn? (March 2010)*

Rating Rationale

- The Royal Bank of Scotland Group plc's (RBSG) IDR is at its Support Floor. Its Individual Rating reflects its strong franchises, stabilising asset quality, solid capitalisation and good progress on its restructuring plans. The high execution risk in implementing its plans, wholesale funding refinancing risks and strategic constraints arising from being state-controlled represent negative features.
- There are brighter earnings prospects for RBSG in 2010 compared with 2009, despite headwinds in its key markets (the UK, the US and Ireland). Although the earnings outlook is still challenging, RBSG reported an operating profit in Q110, raising the chances of a return to more sustained profitability. Fitch Ratings expects this to be in 2011 when more progress has been made to contain losses in the "non-core" division.
- With a solid capital base, RBSG is well positioned to pursue its strategy. Execution risk is high given the tough operating environment, the scale of the task and potential interference from the UK government. The successful run-down of the GBP200bn non-core division is key in returning the group to profitability. Embedding a stronger risk culture and improved risk management tools are also critical. Notable progress has already been made.
- Although loan impairment charges appear to be stabilising, they may be lumpy and Fitch expects them to remain at elevated levels through 2010 given the weakness of the UK, Irish and some European economies. Single-name and sector concentrations built up through legacy weaker risk management, particularly commercial property remain a concern.
- Re-shaping and improving the quality of its funding is critical to group strategy. Although RBSG benefits from a large retail deposit base, the group remains heavily reliant on wholesale markets. Refinancing risk is heightened given the fragility of post-crisis funding markets, but liquidity reserves have strengthened significantly and the de-leverage process will greatly reduce wholesale funding needs over the medium term.
- Capital ratios are strong, but are expected to be eroded modestly in the near-term before the group generates profits. Fitch believes the group is already well positioned to absorb additional regulatory requirements now under review.

Support

- In Fitch's opinion, the systemic importance of RBS means that there is an extremely high probability of continued support for the bank from the UK authorities should this ever be necessary. Support has been provided via RBSG.

Key Rating Drivers

- The group's IDRs are at their Support Floors. Downward pressure could arise from growing political will in the UK to explore ways to reduce the implicit state support of systemically important banks. An upgrade of the Individual Rating would be driven by the group's success in implementing its lower risk strategy, which requires substantial restructuring and resizing of the business.

Profile

RBSG is one of the largest European banking groups. The Royal Bank of Scotland plc and National Westminster Bank Plc are its main operating subsidiaries.

- 83% economic ownership by UK government
- Broad client and product diversification
- Strong franchise in UK; shrinking its international presence to mainly US and Ireland
- Strategy focuses on client-driven businesses, lower risk profile and more traditional funding and balance sheet structure
- Running off and selling down non-core assets is pivotal to achieving its goals

Profile

RBSG is a diversified financial services group with a long history. Its business is anchored in the UK, where the group operates through its two principal subsidiaries, The Royal Bank of Scotland plc (RBS) and National Westminster Bank Plc (NatWest), both of which are clearing banks. Following the acquisition of ABN AMRO Bank N.V. (ABN AMRO) in late 2007, the group became the largest receiver of UK state-aid during the financial crisis. RBSG is now majority government-owned (83%) and is the only participant in the UK government's Asset Protection Scheme (APS).

Strategy

The group targets a 15%+ return on equity (ROE), an 8% minimum core Tier 1, a 100% loans/deposits ratio, a cost/income ratio below 45% and a GBP500bn gross reduction in "funded" assets by end-2013 compared with end-2008. The plan involves major restructuring in all parts of the business and aims to improve efficiency through redundancies and modernisation of processes, reduce leverage through balance sheet shrinkage, improve the group's liquidity and funding profile by reverting to a more traditional funding structure and reduce risks.

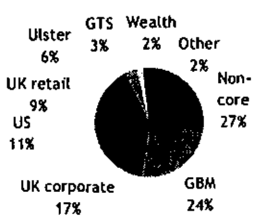
Fitch believes the restructuring plan set out during 2009 to be sensible and largely achievable. As the economy recovers, the experienced new management team can leverage RBSG's strong UK franchise and broad client and product diversification to drive improvements in its core business performance. In terms of capital, Fitch believes the group is already well positioned to absorb additional regulatory requirements currently under review and the higher impairment charges at this point in the economic cycle.

Management made significant progress in executing the strategic plan in 2009, but Fitch believes there are tougher execution challenges still to over come. These include:

- managing down a GBP213bn portfolio of diverse and complex non-core assets. The right management infrastructure, staff expertise and market conditions are a prerequisite for success, especially for the higher-risk, longer-term assets;
- retaining and attracting high calibre staff, especially in GBM and risk, admid the business restructuring and political noise, especially on remuneration;
- embedding a stronger risk and governance culture. It will take several years to implement successfully, given the historical lack of focus on risk management and the operational disruption from the ongoing restructuring. However, notable progress has already been made;
- divesting businesses as required by the EC, where RBSG recently encountered a set-back in its sale of parts of its UK network when one of the leading contenders (National Australia Bank) withdrew from the bid process. The divestiture programme represents an unwelcome distraction for management in achieving its performance targets;
- absorbing regulatory changes into the strategic plan. Changing regulations could dampen returns and make strategic objectives more difficult to achieve, particularly liquidity, funding and profitability targets;
- political interference arising from state ownership. Political noise has not receded with the new government in the UK. However, direct political interference so far, appears relatively minimal — limited largely UK lending commitments.

RBSG's organisational structure and the background on its receipt of UK state aid can be found in *Appendix 1* and *Appendix 2*.

RWA by Division
31 March 2010



Source: RBS Group, Fitch

- 2010 should be characterised by gradual improvements in impairment charges, lower credit market write-downs, more stable net interest margins (NIM)
- RBSG's market-focused businesses will likely continue to be critical counter-balance to the more economically cyclical retail and commercial banking operations
- Non-core losses still the main drag on earnings over the medium term
- Financial targets are on track (in some cases ahead of schedule), but will remain sensitive to changes in global economic recovery and market conditions

Presentation of Accounts

RBSG's statutory results since 2007 include the full consolidation of RFS Holdings. For FY07 the results include ABN AMRO's results for the final 75 days of the year. The interests of Santander and Fortis are included in minority interests. The group also prepares pro-forma results that include only those businesses that will be retained by RBSG. Profroma results also restate 2008 results under the group's new divisions. The analysis in this report is based on the pro-forma figures; the attached spreadsheets are based on the statutory results.

Performance

Table 1: Pro-Forma Income Statement

(GBPm)	Q110	Q109	FY09	FY08
Net interest income	3,534	3,538	13,567	15,764
Non-interest income[a]	5,589	4,101	16,000	3,603
Total income	**9,123**	**7,639**	**29,567**	**19,367**
Operating expenses	(4,430)	(4,667)	(17,401)	(16,188)
Insurance net claims	(1,136)	(966)	(4,357)	(3,917)
Operating profit before impairment losses	**3,557**	**2,006**	**7,809**	**(738)**
Impairment losses	(2,675)	(2,858)	(13,899)	(7,432)
Operating (loss)/profit	**882**	**(852)**	**(6,090)**	**(8,170)**
Fair value of own debt	(169)	1,031	(142)	1,232
Amortisation of purchased intangible assets	(65)	(85)	(272)	(443)
Integration and restructuring costs	(168)	(379)	(1,286)	(1,357)
Gain on redemption of own debt	0	0	3,790	0
Strategic disposals	53	241	132	442
APS CDS - FV changes	(500)	0	0	0
Bonus tax	(54)	0	(208)	0
Gains on pensions curtailment	0	0	2,148	0
Pre-tax (loss)/profit	**(21)**	**(44)**	**(1,928)**	**(8,296)**
Net (loss)/profit[b]	**(131)**	**(522)**	**(3,607)**	**(24,306)**

[a] Includes credit market write-downs and insurance net premium income
[b] Includes tax and write-down of goodwill and other intangible assets
Source: RBS Group financial statements, Fitch

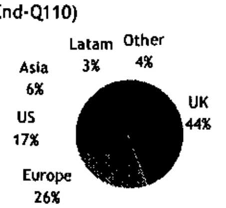
Although there are still significant headwinds for the group, 2010 is likely to have brighter financial prospects compared with 2009. Positive trends emerged in the Q110 results when the group reported an operating profit. Given the uncertain economic backdrop, the earnings outlook for RBSG is still challenging. However, the chances of a return to sustained profitability have increased, but this is likely to be during 2011 when more progress has been made in containing losses in the 'non-core' division. (See *Appendix 3* for divisional performance and peer group comparison).

Fitch believes near-term performance will be characterised by:

- stabilising NIM as the benefits of wider asset spreads flow through. Although liability margin pressure is unlikely to ease significantly until interest rate rises materialise, successful refinancing of relatively expensive government guaranteed debt over the next three years should help ease funding costs;
- lower operating costs as on-going management actions to more-appropriately size the business and improve efficiency feed through to performance. However, restructuring costs will remain a feature in the near-term;
- a plateau in impairment charges after a period of sharp increases. Improvements will depend on the speed of recovery in the UK, the US and Ireland — the main markets of the Retail and Commercial (R&C) operations. Coupled with RBSG's strong franchise, lower impairments could drive R&C profitability, although more likely in 2011;
- sound earnings generation from GBM. Even without the exceptional market conditions in Q109, GBM should be an important source of earnings diversification, especially as credit market write-downs are reducing;
- significant non-core division losses weighing on group results until the assets are substantially run-down. Some losses could be constrained by management expertise, but most are sensitive to market conditions largely beyond management's control;
- fees relating to the APS and government contingent share facility also negatively affecting group results and will feature until the schemes are exited.

- Credit risk remains elevated as portfolio concentrations and fragile key economies leaves the loan book vulnerable
- Commercial real estate, UK SME market, more cyclical GBM exposures and Ulster Bank are more exposed to further deterioration
- Credit quality indicators stabilising in UK retail and US R&C, but still early on in a fragile economy
- Contingent capital and the APS provide a cushion to cover potential losses under extreme economic stress (not currently anticipated)
- Credit-market exposures stabilising
- Operational risk heightened by restructuring plans

Credit Risk Assets
(End-Q110)



Source: RBS Group, Fitch

Table 2: Credit Risk Assets by Industry

(%)	Q110	2008
Personal	25.3	23.1
Financial services	23.9	21.1
Property/ building	17.2	16.6
Transport/ storage	6.4	6.9
Manufacturing	5.6	7.9
Public sector	3.4	4.7
Other	18.0	19.6
Total GBP	731,685	854,876

Source: RBS Group, Fitch

Risk Management

Fitch believes management is making good progress in addressing the deficiencies in risk management and corporate governance that contributed to the problems experienced. Embedding the stronger risk culture in the organisation, reducing concentrations and upgrading risk systems, will take several years to complete.

Credit Risk — High But Showing Signs of Stabilising

Credit quality has been affected by legacy weak underwriting standards in some asset classes, concentrations built up through acquisitions and lack of risk control, as well as the global economic crisis. The UK, Ireland and the US — some of the economies most affected by the crisis — make up most of the loan exposure.

Personal lending is particularly skewed towards these countries, where the weighting is heavily biased towards residential mortgages. In the UK, the relatively low LTVs (2009: average 59%) in the mortgage portfolio and less aggressive risk appetite leading up to the crisis offer protection. In the US and Ireland arrears rose more sharply. A significant portion of these mortgages are riskier and have higher LTVs — for example, US home equity loans (USD25bn). Unsecured personal lending, mostly in the UK, is a source of concern as arrears have risen and further pressure on debt service and refinancing capacity could materialise as unemployment rises.

The effects of the weaker economy have been felt across RBSG's business banking, commercial and corporate lending portfolios, but now show signs of stabilising. The group's asset quality (AQ) bands showed a very sharp downward migration in 2009, but stabilised in Q110, with exposures in the 'B' range and below (AQ7-AQ10) flat versus end-2009 at 26% of credit risk assets. Although the corporate portfolio is fairly well diversified, some single-name and portfolio concentrations have arisen from the ABN AMRO acquisition and the less robust legacy risk approach, for example in UK commercial real estate (CRE) and some credit market exposures.

Fitch believes potential credit losses that might arise from exposures in Greece, Portugal, Spain and Italy to be manageable. Irish exposures are more significant. Ulster Bank Ltd.'s (Ulster Bank) loans totalled GBP39bn at end-Q110, comprising around 40% mortgages and 25% CRE loans, leaving RBSG vulnerable to further deterioration in the fragile Irish economy.

Impaired Loans and Reserves - Approaching the Peak

Growth in impaired loans (RBSG reported 'Risk Elements in Lending' and 'Potential Problem Loans') slowed significantly in Q110, as impairment charges declined modestly. By division, the non-core division dominates impaired loans (around 65%). Fitch believes non-core impairment charges will continue to be a major feature, especially from GBM contributed assets, the largest source of such charges.

In the core businesses, Fitch is most concerned with Ulster Bank and UK Corporate. Although GBM appears to be improving, Fitch believes it is vulnerable to problems with single-name concentrations and impairment charges stemming from these could be more lumpy. With the US leading the way out of the recession, US R&C credit deterioration is starting to stabilise. There are also signs of improvement in UK retail, driven by lower impairment charges in the personal unsecured portfolio.

The gradual decrease in the group's impaired loan reserve coverage raises some concerns. The Q110 reported coverage averages 45% versus 59% in 2007. Reflecting the collateral held, the coverage varies from 22% in Wealth to 96% in GTS.

APS — Offers Downside Insurance

Fitch believes it is unlikely the first-loss piece will be exceeded unless an exceptionally extreme downturn emerges. However, should this scenario materialise, the APS offers significant downside protection.

Table 3: Maximum Trading VaR for Q110[a]

(GBPm)	Q110	Q409
Interest rate	64.2	59.8
Credit spread	191.5	194.7
Currency	24.7	25.5
Equity	17.3	19.8
Commodity	14.0	32.1
	204.7	188.8
Core	145.4	135.4
Non-core	98.8	100.3

[a] Pro-forma and statutory
Source: RBS Group financial statements

The APS assets are weaker in quality, hence 70% of impaired loans at end-2009 related to APS-covered assets. The proportion of APS assets classified as impaired was at a high 10.8% at end-2009. Assuming a high 70% LGD impaired loans would have to more than triple from current levels for the first-loss piece to be fully utilised.

Other Earning Assets - Risky Credit Market Exposures Reducing

RBSG holds a fairly stable-sized portfolio of debt securities (Q110: GBP252bn), split almost equally between AFS and held for trading. Its composition is fairly typical of a large bank group (Q110: 57% central and local governments; 32% asset-backed securities (ABS); 6% banks and building societies; and 5% corporate issuers).

Riskier credit market exposures are similar in composition to peers' and include US subprime and Alt-A RMBS, US CMBS, CDO, CLO, credit value adjustments, monoline, CDPCs and leveraged finance positions. Reduced to a more manageable 70% of Fitch core capital through write-downs and disposals, although still large, the portfolio has stabilised and the risk of further market value declines reduced. Only around 3% are level 3 where valuation uses at least one input not based on observable market data. Credit and other market losses were significant, but started declining H209 and dropped sharply in Q110 to GBP259m.

The GBM business means RBSG is a significant participant in the derivative markets – mainly interest rate swaps. Taking into account master netting agreements, the net exposure is under 2x Fitch core capital.

Market Risk

RBSG's market risk exposure arises mainly from its treasury and trading activities. Emphasis is now firmly on client flows. In the group's trading positions, the largest component of value at risk (VaR) is from credit spread risk. VaR increased in 2009 largely as increased volatility stemming from the credit crisis became included in the two-year historical series used by the model. Trading VaR appeared to level out in Q409 and Q110, partly driven by model updates and the reduction in the trading book as the de-leveraging strategy is executed.

Non-trading VaR is around the same level as trading VaR and relates to reclassified assets, money market business and the management of treasury funds as well as structural risks arising from interest rate, currency and equity banking book positions. Citizens is a main contributor to non-trading VaR, given its exposure to changes in longer-term USD interest rates, where prepayment risk dominates.

Operational Risk

As a universal bank, RBSG is subject to substantial operational risk and numerous reviews and investigations by authorities in numerous jurisdictions and business areas. Fitch believes operational risks are heightened at RBSG due to the disruption to staff and processes caused by the restructuring plan.

Table 4: Market Risk Indicators

	RBSG ('C/D')		Barclays ('B')		Citi Group ('C/D')		UBS ('D')		BNP Paribas ('B')	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Investment banking as % of net revenues	45.9	25.0	55.2	33.1	61.9	96.5	13.9	n.m	30.9	17.1
Net derivatives as % of reported tier 1	104	225	86	182	56	503	224	486	n.a.	n.a.
Fitch stressed VaR as % reported tier 1	7.6	5.6	8.6	9.1	6.4	32.2	13.7	14.7	5.6	11.6

Notes: Fitch stressed VaR takes firm-reported high trading VaRs, scales them up to a 99% confidence level and for a 10 day holding period, then multiplies by 8 to approximate a + 18 standard deviation market move. For CitiGroup, the average VaR is used as high VaR is not reported at group level. For UBS, 2008 investment banking net revenues were negative so the ratio is not meaningful (n.m.). For BNPP, net derivatives are not disclosed.
Source: Fitch, RBS Group

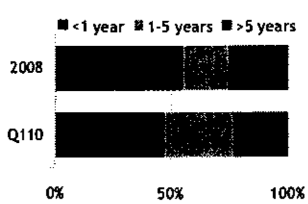
- Re-shaping funding remains a critical and potentially difficult challenge
- Reducing but still high reliance on wholesale funding
- Funding supported by government schemes
- Liquidity much improved
- Capital at solid levels following government recapitalisation programmes
- Contingent capital provides comfort for catastrophe scenario

Table 5: Funding Mix

Q110	(GBPm)	(%)
Interbank	100,168	12.6
Debt securities	239,212	30.0
CP	36,588	4.6
CDs	57,369	7.2
MTNs	126,610	15.9
Securitisations	18,645	2.3
Sub. debt	31,936	4.0
Wholesale funding	**371,316**	**46.6**
Customer deposits	**425,102**	**53.4**
Total funding	**796,418**	**100.0**
Customer repos	81,144	62.8
Bank repos	48,083	37.2
Total repos	**129,227**	**100.0**

Source: RBS Group

Wholesale Funding Maturities[a]



[a] Excluding interbank deposits
Source: RBS Group Financial Statements, Fitch

Funding, Liquidity and Capital

Funding and Liquidity - Structural Shifts Underway

One of RBSG's most critical challenges is to re-shape and improve the quality of its funding. The group's 2013 100% loan/deposit ratio target is expected to be achieved through the run-down of the wholesale funded non-core assets and modest deposit growth. RBSG's strong R&C franchise leaves the group well positioned to compete for deposits (+GBP10.9bn (+2.6%) during Q110). The loan/ deposit ratio (excluding repos) improved to 131% at end-Q110 (end-2008: 151%), largely through deleveraging. Although reducing, there is still heavy reliance on wholesale funding, but the quality has improved as the maturity profile was extended. However, there is still a significant amount of short-term securities and interbank deposits.

Disruption to the funding markets from the current euro zone sovereign debt crisis is likely to erode some of the 2009 improvement to funding quality, highlighting the fragility of the post-crisis wholesale funding markets, however diversified the sources. Despite issuing GBP8bn of long-term unguaranteed debt securities in Q110, the disruption caused by the sovereign debt crisis makes RBSG's 2010 term debt issuance target (GBP20bn-GBP25bn range) more challenging. However, RBSG has been able to access both unsecured and secured funding markets including a EUR1.25bn covered bonds in June 2010. RBSG is a major user of the Bank of England facilities, including the special liquidity scheme (GBP21bn at end-2009) and debt guaranteed by government totalling GBP51.5bn (with maturities peaking in 2011-2012) at end-2009. Refinancing risk will be greatly mitigated if the run-off in non-core assets continues as planned.

Liquidity reserves improved significantly in size and quality during 2009 ahead of the FSA's new requirements. RBSG held GBP165bn of available liquidity at end-Q110 predominantly in government securities (36%), cash (25%) and unencumbered collateral (28%). Liquidity risk has also been reduced through lower commitments to its multi-seller conduit business, where facilities declined over 40% to GBP24bn.

Capital

RBSG's Fitch core capital and eligible capital ratios are solid, but will decline modestly in the near-term as losses are absorbed, due to risk migration and as ABN AMRO portfolios are migrated onto the Basel II calculation. The strong reported core tier 1 ratio at end-Q110 of 10.6% was further boosted by around 30bp through a liability management exercise undertaken in Q210.

The group will need to absorb additional regulatory capital requirements. Management's estimate of a GBP60bn in risk-weighted assets (RWAs) arising from changes in 2011 to the calculation of trading book capital charges (securitisations and credit risk component) would decrease the Fitch core capital ratio by around 75bp. Of the Basel III proposals under review, the deduction of deferred tax assets and insurance subsidiary capital would have greatest impact on capital. RBSG's strong capital position leaves it well placed to deal with the regulatory changes. Fitch views positively the GBP8bn contingent capital facility provided by the UK government, but believes that it is unlikely that the facility will be used.

Capital ratios should improve through the de-leveraging process, but this could be slow as it is largely linked to the reduction in non-core assets, the timing of which will be dependent on execution and market conditions. It is effectively a hugely complex capital management exercise under which a capital neutral outcome (ie residual net losses on assets offsetting the RWA relief as assets are run off, written off or sold) would represent a good — but by no means implausible — outcome.

Preference shares and other tax-deductible securities have reduced through two liability management exercises. The ratings of RBSG's hybrids securities reflect the EC required two-year coupon deferral or the existence of "must pay" features.

Appendix 1: Organisational Structure

RBSG's customer-focused divisions are supported by a business services division which provides operational technology, account management, money transmission, property and other services, through a single platform and common processes. The group's activities are now organised into nine business divisions.

UK Retail: The group offers a full range of financial services through the RBS and NatWest brands, utilising the UK's largest branch and ATM network as well as telephone and internet channels.

UK Corporate: The largest provider of banking services to UK SME, commercial and corporate sector, with a SME market share ranging between 25%-30%.

Wealth: Wealth management provides long-term savings, private banking and investment services through several channels and brands: Coutts, Adam and Company and offshore businesses, RBS International and NatWest Offshore.

Global Banking and Markets (GBM): GBM provides debt and equity finance (origination, trading, distribution and structuring of a broad range of asset classes), risk management and investment services to financial institutions and large businesses in the UK and globally. It is organised along six main business lines: rates flow trading; money markets; currencies; equities; credit markets and portfolio management (manages GBM assets to ensure efficiency of capital and liquidity, and provides fund offerings). RBSG is currently ranked seventh in the combined global all debt league tables (2009: sixth). The commodities joint venture, RBS Sempra Commodities, was partly sold; the remaining businesses are still for sale.

Global Transaction Services (GTS): GTS provides global payments, cash and liquidity management, trade finance, merchant acquiring and card services. US institutional fixed-income activities are carried out through RBS Securities.

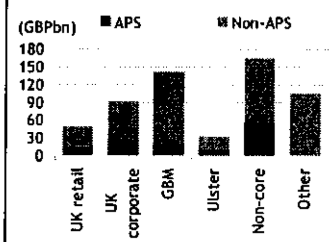
Ulster Bank: Ulster Bank is the group's main European operation and provides a wide range of retail and wholesale financial services in the Republic of Ireland and Northern Ireland and is the third-largest player in these combined markets.

US Retail and Commercial (US R&C): In the US, its prime vehicle is Citizens, a US bank holding company comprising seven Citizens banks, Charter One, RBS National Bank (the group's US credit card business) and RBS Lynk (its merchant acquiring business). Over many years, CFG has grown rapidly (through acquisitions and organically) to create a strong franchise throughout 12 north-eastern and mid-western states, and is the 10th-largest US bank by deposits.

RBS Insurance: This division sells and underwrites its own motor and household insurance policies directly, over the telephone and the internet, as well as through a network of brokers and intermediaries. Its main brands are Direct Line Insurance and Churchill Insurance; others include Privilege, Green Flag and NIG. In the UK, the group is the leading car insurer and the number two non-motor insurer. Internationally, Direct Line is active in Germany and Italy.

Non-Core: Total assets of GBP343bn (as at end-2008) were transferred in H109 to this newly-created division, including GBP85bn of undrawn commitments, equating to 30% of group RWA. Assets range from businesses and asset portfolios primarily from GBM linked to proprietary trading, higher risk portfolios and other illiquid assets. These include monolines, credit derivative product companies, CDOs, ABS and leveraged finance exposures. Other divisions contributed businesses and corporate, commercial and consumer loan books no longer considered strategic. Management intend to dispose of or run down assets by around a third between 2009 and 2011, with the bulk of the reduction expected in the following two years. As at end-Q110, third-party assets (excluding derivatives) were GBP212.6bn.

APS: Divisional RWA
End-Q110



Source: RBS Group Financial Statements, Fitch

Appendix 2: Background to UK State Aid

In October 2008, as part of the UK government's actions to stabilise the UK banking sector, a bank recapitalisation programme was initiated. The government became the majority shareholder (58%) in RBSG following a very low take-up of the group's GBP15bn share placing and open offer in November 2008, which the state had underwritten. Subsequently the holding increased to 70.3% when RBSG replaced the government's GBP5bn preference shares (also acquired in November 2008) with new ordinary shares. State ownership, in terms of economic rights, is now 83% after an additional GBP25.5bn capital is injected as part of the APS agreement and the conversion of preference shares in H110. UK Financial Investments (UKFI) manages the government's investments in RBSG and other UK financial institutions.

Asset Protection Scheme

The APS announced in February 2009 was refined in November 2009 and involved GBP243bn (as at end-Q309) of assets being covered by the state-backed insurance scheme. The first loss to be absorbed by RBSG is GBP60bn, of which GBP33.2bn had been used as at end-Q110. The government will be responsible for 90% of net losses thereafter. This insurance scheme is designed such that RBSG absorbs all the expected losses in a base case economic scenario and only requires the second loss government cover in the event of a substantial further deepening of the recession.

The group pays an annual fee of GBP700m for three years to 2011 and GBP500m thereafter, although it can terminate the scheme at any time subject to the Financial Services Authority's (FSA) requirements being met and a break fee. The initial capital injection of GBP25.5bn was in the form of B shares, which do not carry voting rights but rank pari passu with ordinary shares and is included in core Tier 1 regulatory capital. The shares effectively have enhanced dividend rights and are convertible into ordinary shares. The government has agreed to cap its ordinary share holding and therefore voting rights at 75%.

The government also provides a GBP8bn contingent capital facility for five years should RBSG's core Tier 1 ratio fall below 5%. A 4% annual fee is payable on this contingent facility but, like the APS, the facility can be terminated by RBSG, with FSA consent.

The sizing of the APS and the recapitalisations were agreed with the FSA following a stress analysis which incorporated assumptions of additional potential loss arising from a severe economic downturn scenario, well beyond Fitch's expectations. The FSA requires the banks to maintain a minimum core Tier 1 ratio above 4% under these scenarios and RBSG currently needs the contingent facility to meet this requirement.

The APS covered 15% of on-balance-sheet assets and 21% of RWA at end-Q110. Assets covered by the scheme include most of the market turmoil exposures (monolines, ABS and leveraged finance), higher-risk unsecured exposures, assets in work-out or restructuring units and higher-risk mortgages (high LTV, certain specialist and broker-introduced).

APS Assets
31 December 2009

	(GBPm)
Mortgages	14,205
Consumer finance	53,261
Commercial real estate	32,137
Leveraged finance	23,276
Lease finance	1,529
Project finance	1,817
Structured finance	15,175
Loans	54,942
Bonds	698
Derivatives	33,490
Total	230,530

Source: RBS Group financial statements

EC State Aid Requirements

The restructuring plan agreed with and approved by the EC requires RBSG to divest parts of its UK branch and corporate business, RBS Insurance, Global Merchant Services (within GTS) and its interest in RBS Sempra Commodities, totalling around GBP30bn in risk-weighted assets (RWA), over a four-year timescale. RBSG's global banking and markets division cannot rank higher than number five in the combined global all debt league tables for three years. The EC has also applied its objective of "burden sharing" to hybrid instruments and requires that RBSG does not make discretionary payments of coupons or dividends for two years unless a legal obligation exists.

Appendix 3: Divisional Performance

Divisional Operating Profit (Pro Forma)[a]

(GBPm)	Q110	Q109	FY09	FY08
UK retail	140	17	229	723
UK corporate	318	321	1,125	1,781
Wealth	62	94	420	348
Global banking & markets	1,466	3,468	5,709	(1,796)
Global transaction services	233	231	973	1,002
Ulster Bank	(137)	4	(368)	218
US retail and commercial	40	(41)	(113)	528
RBS insurance	(50)	76	58	584
Central items	200	489	292	1,025
Core	**2,272**	**4,659**	**8,325**	**4,413**
Non-core	**(1,559)**	**(4,480)**	**(14,557)**	**(11,351)**
Less: Fair value on own debt	(169)	1,031	(142)	1,232
Operating (loss)/profit	**882**	**(852)**	**(6,090)**	**(8,170)**

[a] Includes fair value movement of own debt
Source: RBS Group financial statements, Fitch

Peer Comparison

	RBSG		Barclays		Citi Group		UBS		BNP Paribas	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Reported equity (USD)	132,272	101,549	79,047	56,200	154,661	73,358	48,512	19,407	100,396	66,203
Profitability										
Pre impairment operating profit/AA (%)	0.3	0.0	0.8	0.4	1.8	-0.9	0.8	-1.2	0.8	0.4
Pre impairment operating profit/AE (%)	9.1	-0.2	31.3	21.9	23.3	-14.9	26.5	-70.3	29.4	17.2
Cost/income (non-interest expense/gross revenues) (%)	78.6	100.9	56.3	68.6	58.4	138.4	71.0	1,511.3	57.5	69.1
Loan and securities impairment charge/pre-impairment profits (%)	233.0	-4,410.9	62.0	88.3	122.9	-168.7	-3.5	-12.1	48.5	69.9
Net interest margin (%)	0.9	1.0	0.8	0.8	3.0	3.1	0.6	0.3	1.1	0.8
Capitalisation										
Equity/assets (%)	4.9	2.7	3.6	1.7	8.3	3.8	3.7	1.0	3.4	2.2
Fitch core capital/tangible assets (%)	2.4	1.3	2.5	1.0	-	-	0.3	-0.3	2.3	-
Fitch eligible capital/RWA (%)	10.6	6.3	11.7	6.7	-	-	2.8	-1.0	9.2	-
Fitch eligible capital/tangible assets (%)	3.4	1.8	3.3	1.4	-	-	0.4	-0.1	2.8	-
Regulatory tier 1 ratio (%)	14.1	10.0	13.0	8.6	11.7	11.9	16.0	11.0	10.1	7.8
Net loans/assets (%)	42.9	37.0	30.5	22.5	29.9	34.3	22.6	28.2	33.0	23.8
Asset quality and risk										
Impaired loans/total gross loans (%)	4.8	2.2	6.0	3.9	8.2	4.9	1.7	1.6	5.4	3.7
Net loan growth (%)	-17.9	7.0	-9.0	33.7	-16.4	-12.8	-46.1	15.5	37.3	11.1
Reserves/impaired loans (%)	42.3	56.9	41.7	35.9	74.4	86.9	38.6	31.8	66.2	75.3
LIC/average loans (%)	1.8	1.0	1.7	1.1	6.0	4.6	-0.1	0.7	1.2	0.8
Liquidity and funding										
Loans/deposits (%)	121.1	140.5	133.7	108.8	70.8	89.7	74.4	122.5	130.0	126.3
Securities/assets (%)	42.9	53.6	48.3	62.9	34.9	32.7	63.5	58.2	52.2	64.8

Source: Fitch, company annual reports

Appendix 4: Other

Basel II

RBSG has adopted the advanced internal ratings-based (AIRB) approach wherever possible within the group, and has received 'waiver' approval from the FSA in support of this intent. The AIRB was implemented in most businesses on 1 January 2008, but Citizens will migrate in line with the final rules regarding Basel II implementation in the US. ABN AMRO migrated to Basel II on 1 January 2010.

Holding Company

RBSG is a holding company owning 100% of RBS (whose subsidiaries include NatWest) and RBS Insurance Group Ltd and 38% of RFS Holdings BV. Tier 1 securities are issued at RBSG level rather than by the group's operating companies and are typically on-lent on identical terms and conditions to RBS, who effectively services them. RBSG has the ability to issue senior debt through the group's various programmes. In practice, senior debt is issued at operating company level and only a very small amount of debt is outstanding at group level. A conservative holding company liquidity policy requiring the maintenance of sufficient resources to cover the next month of cash outflows ensures debt service capacity. Double leverage is now within acceptable parameters, having peaked in 2007 at 175%, and fell to 99% at end-2009.

Royal Bank of Scotland Group plc (The)
Income Statement

	31 Mar 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	3 Months - 1st Quarter USDm Unaudited	3 Months - 1st Quarter GBPm Unaudited	As % of Earning Assets	Year End GBPm Unqualified	As % of Earning Assets	Year End GBPm Unqualified	As % of Earning Assets	Year End GBPm Unqualified	As % of Earning Assets
1. Interest Income on Loans	8,623.3	5,692.0	1.60	33,836.0	2.17	49,522.0	2.14	n.a.	-
2. Other Interest Income	n.a.	n.a.	-	n.a.	-	n.a.	-	33,420.0	1.92
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	**8,623.3**	**5,692.0**	**1.60**	**33,836.0**	**2.17**	**49,522.0**	**2.14**	**33,420.0**	**1.92**
5. Interest Expense on Customer Deposits	3,257.2	2,150.0	0.60	17,332.0	1.11	30,847.0	1.33	n.a.	-
6. Other Interest Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	20,752.0	1.19
7. Total Interest Expense	**3,257.2**	**2,150.0**	**0.60**	**17,332.0**	**1.11**	**30,847.0**	**1.33**	**20,752.0**	**1.19**
8. Net Interest Income	**5,366.1**	**3,542.0**	**1.00**	**16,504.0**	**1.06**	**18,675.0**	**0.81**	**12,668.0**	**0.73**
9. Net Gains (Losses) on Trading and Derivatives	2,675.5	1,766.0	0.50	3,881.0	0.25	-8,477.0	-0.37	1,327.0	0.08
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	231.8	153.0	0.04	687.0	0.04	1,896.0	0.08	1,457.0	0.08
13. Net Fees and Commissions	2,240.7	1,479.0	0.42	7,009.0	0.45	7,445.0	0.32	6,154.0	0.35
14. Other Operating Income	677.2	447.0	0.13	1,962.0	0.13	1,899.0	0.08	4,857.0	0.28
15. Total Non-Interest Operating Income	**5,825.1**	**3,845.0**	**1.08**	**13,539.0**	**0.87**	**2,763.0**	**0.12**	**13,795.0**	**0.79**
16. Personnel Expenses	4,073.8	2,689.0	0.76	11,783.0	0.76	10,410.0	0.45	7,552.0	0.43
17. Other Operating Expenses	3,072.4	2,028.0	0.57	11,843.0	0.76	11,211.0	0.48	6,905.0	0.40
18. Total Non-Interest Expenses	**7,146.2**	**4,717.0**	**1.33**	**23,626.0**	**1.51**	**21,621.0**	**0.93**	**14,457.0**	**0.83**
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	**4,045.0**	**2,670.0**	**0.75**	**6,417.0**	**0.41**	**-183.0**	**-0.01**	**12,006.0**	**0.69**
21. Loan Impairment Charge	4,052.6	2,675.0	0.75	14,950.0	0.96	8,072.0	0.35	2,106.0	0.12
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	**-7.6**	**-5.0**	**0.00**	**-8,533.0**	**-0.55**	**-8,255.0**	**-0.36**	**9,900.0**	**0.57**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	3,790.0	0.24	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	32,581.0	1.41	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	2,148.0	0.14	n.a.	-	n.a.	-
29. Pre-tax Profit	**-7.6**	**-5.0**	**0.00**	**-2,595.0**	**-0.17**	**-40,836.0**	**-1.76**	**9,900.0**	**0.57**
30. Tax expense	162.1	107.0	0.03	-371.0	-0.02	-2,323.0	-0.10	2,052.0	0.12
31. Profit/Loss from Discontinued Operations	474.2	313.0	0.09	-99.0	-0.01	3,971.0	0.17	-136.0	-0.01
32. Net Income	**304.5**	**201.0**	**0.06**	**-2,323.0**	**-0.15**	**-34,542.0**	**-1.49**	**7,712.0**	**0.44**
33. Change in Value of AFS Investments	628.7	415.0	0.12	2,016.0	0.13	-7,406.0	-0.32	-496.0	-0.03
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	1,189.3	785.0	0.22	-3,300.0	-0.21	15,425.0	0.67	446.0	0.03
36. Remaining OCI Gains/(losses)	-469.6	-310.0	-0.09	-2,551.0	-0.16	-957.0	-0.04	n.a.	-
37. Fitch Comprehensive Income	**1,652.9**	**1,091.0**	**0.31**	**-6,158.0**	**-0.39**	**-27,480.0**	**-1.19**	**7,662.0**	**0.44**
38. Memo: Profit Allocation to Non-controlling Interests	521.2	344.0	0.10	1,284.0	0.08	-10,236.0	-0.44	163.0	0.01
39. Memo: Net Income after Allocation to Non-controlling Interests	-216.6	-143.0	-0.04	-3,607.0	-0.23	-24,306.0	-1.05	7,549.0	0.43
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	0.0	0.00	2,312.0	0.10	3,044.0	0.18
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate	USD1 = GBP0.66007			USD1 = GBP0.61748		USD1 = GBP0.68597		USD1 = GBP0.49910	

Royal Bank of Scotland Group plc (The)
Balance Sheet

	31 Mar 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	3 Months - 1st Quarter USDm	3 Months - 1st Quarter GBPm	As % of Assets	Year End GBPm	As % of Assets	Year End GBPm	As % of Assets	Year End GBPm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	944,566.5	623,480.0	35.31	743,566.0	43.83	898,723.0	37.42	835,691.0	43.97
6. Less: Reserves for Impaired Loans/ NPLs	25,253.4	16,669.0	0.94	15,173.0	0.89	11,016.0	0.46	6,441.0	0.34
7. Net Loans	919,313.1	606,811.0	34.37	728,393.0	42.94	887,707.0	36.96	829,250.0	43.63
8. Gross Loans	944,566.5	623,480.0	35.31	743,566.0	43.83	898,723.0	37.42	835,691.0	43.97
9. Memo: Impaired Loans included above	56,250.1	37,129.0	2.10	35,913.0	2.12	19,350.0	0.81	10,327.0	0.54
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	150,812.8	99,547.0	5.64	91,753.0	5.41	138,197.0	5.75	219,460.0	11.55
2. Trading Securities and at FV through Income	n.a.	n.a.	-	130,720.0	7.71	140,863.0	5.87	242,062.0	12.74
3. Derivatives	700,337.8	462,272.0	26.18	441,454.0	26.02	992,559.0	41.33	337,410.0	17.75
4. Available for Sale Securities	n.a.	n.a.	-	146,191.0	8.62	140,031.0	5.83	102,948.0	5.42
5. Held to Maturity Securities	n.a.	n.a.	-	9,871.0	0.58	12,985.0	0.54	2,672.0	0.14
6. At-equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Securities	413,850.0	273,170.0	15.47	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	1,114,187.9	735,442.0	41.65	728,236.0	42.93	1,286,438.0	53.56	685,092.0	36.05
9. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	149,915.0	7.89
10. Investments in Property	n.a.	n.a.	-	n.a.	-	3,868.0	0.16	3,431.0	0.18
11. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Earning Assets	n.a.	n.a.	-	12,033.0	0.71	0.0	0.00	0.0	0.00
13. Total Earning Assets	2,184,313.8	1,441,800.0	81.66	1,560,415.0	91.98	2,316,210.0	96.44	1,737,233.0	91.41
C. Non-Earning Assets									
1. Cash and Due From Banks	63,644.7	42,008.0	2.38	52,261.0	3.08	12,400.0	0.52	17,866.0	0.94
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	27,645.6	18,248.0	1.03	19,397.0	1.14	15,081.0	0.63	15,319.0	0.81
5. Goodwill	0.0	0.0	0.00	14,264.0	0.84	15,562.0	0.65	43,389.0	2.23
6. Other Intangibles	22,244.6	14,683.0	0.83	3,583.0	0.21	4,467.0	0.19	6,103.0	0.32
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	9,908.0	6,540.0	0.37	7,039.0	0.41	7,082.0	0.29	n.a.	-
9. Discontinued Operations	308,346.1	203,530.0	11.53	18,542.0	1.09	n.a.	-	n.a.	-
10. Other Assets	58,937.7	38,903.0	2.20	20,985.0	1.24	30,830.0	1.28	81,609.0	4.29
11. Total Assets	2,675,037.5	1,765,712.0	100.00	1,696,486.0	100.00	2,401,652.0	100.00	1,900,519.0	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	766,958.0	506,246.0	28.67	614,202.0	36.20	639,512.0	26.63	682,365.0	35.90
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	766,958.0	506,246.0	28.67	614,202.0	36.20	639,512.0	26.63	682,365.0	35.90
5. Deposits from Banks	221,759.8	146,377.0	8.29	142,144.0	8.38	258,044.0	10.74	312,633.0	16.45
6. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	136,901.0	8.07	174,507.0	7.27	155,742.0	8.19
7. Total Deposits, Money Market and Short-term Funding	988,717.9	652,623.0	36.96	893,247.0	52.65	1,072,063.0	44.64	1,150,740.0	60.55
8. Senior Debt Maturing after 1 Year	362,404.0	239,212.0	13.55	130,667.0	7.70	125,782.0	5.24	117,873.0	6.20
9. Subordinated Borrowing	40,972.9	27,045.0	1.53	32,761.0	1.93	41,859.0	1.74	32,867.0	1.73
10. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Total Long Term Funding	403,376.9	266,257.0	15.08	163,428.0	9.63	167,641.0	6.98	150,740.0	7.93
12. Derivatives	672,993.8	444,223.0	25.16	424,141.0	25.00	971,364.0	40.45	332,060.0	17.47
13. Trading Liabilities	107,006.8	70,632.0	4.00	50,876.0	3.00	54,277.0	2.26	91,021.0	4.79
14. Total Funding	2,172,095.4	1,433,735.0	81.20	1,531,692.0	90.29	2,265,345.0	94.32	1,724,561.0	90.74
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	4,063.2	2,682.0	0.15	2,963.0	0.17	2,032.0	0.08	496.0	0.03
4. Current Tax Liabilities	n.a.	n.a.	-	n.a.	-	585.0	0.02	1,630.0	0.09
5. Deferred Tax Liabilities	3,476.9	2,295.0	0.13	2,811.0	0.17	4,165.0	0.17	5,510.0	0.29
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	7,640.0	0.32	6,289.0	0.33
7. Discontinued Operations	298,289.6	196,892.0	11.15	18,890.0	1.11	n.a.	-	n.a.	-
8. Insurance Liabilities	11,682.1	7,711.0	0.44	10,281.0	0.61	9,976.0	0.42	10,162.0	0.53
9. Other Liabilities	43,125.7	28,466.0	1.61	30,327.0	1.79	24,116.0	1.00	55,333.0	2.91
10. Total Liabilities	2,532,732.9	1,671,781.0	94.68	1,596,964.0	94.13	2,313,859.0	96.34	1,803,981.0	94.92
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	7,409.8	4,891.0	0.28	4,891.0	0.29	7,295.0	0.30	5,112.0	0.27
2. Pref. Shares and Hybrid Capital accounted for as Equity	17,554.2	11,587.0	0.66	11,587.0	0.68	16,743.0	0.70	11,928.0	0.63
G. Equity									
1. Common Equity	102,645.2	67,753.0	3.84	65,330.0	3.85	42,009.0	1.75	42,880.0	2.26
2. Non-controlling Interest	14,695.4	9,700.0	0.55	16,231.0	0.96	19,798.0	0.82	36,567.0	1.92
3. Securities Revaluation Reserves	n.a.	n.a.	-	-1,755.0	-0.10	-3,561.0	-0.15	1,032.0	0.05
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	4,528.0	0.27	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	-1,290.0	-0.08	5,509.0	0.23	-981.0	-0.05
6. Total Equity	117,340.6	77,453.0	4.39	83,044.0	4.90	63,755.0	2.65	79,498.0	4.18
7. Total Liabilities and Equity	2,675,037.5	1,765,712.0	100.00	1,696,486.0	100.00	2,401,652.0	100.00	1,900,519.0	100.00
8. Memo: Fitch Core Capital	56,668.2	37,405.0	2.12	40,614.0	2.39	30,627.0	1.28	n.a.	-
9. Memo: Fitch Eligible Capital	80,954.6	53,435.7	3.03	57,092.0	3.37	43,752.8	1.82	n.a.	-

Exchange rate: USD1 = GBP0.66007 | USD1 = GBP0.61748 | USD1 = GBP0.68597 | USD1 = GBP0.49910

Royal Bank of Scotland Group plc (The)
Summary Analytics

	31 Mar 2010 3 Months - 1st Quarter	31 Dec 2009 Year End	31 Dec 2008 Year End	31 Dec 2007 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	3.38	4.16	5.83	n.a.
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.56	2.76	4.71	n.a.
3. Interest Income/ Average Earning Assets	1.54	1.78	2.56	2.87
4. Interest Expense/ Average Interest-bearing Liabilities	0.59	0.93	1.61	1.80
5. Net Interest Income/ Average Earning Assets	0.96	0.87	0.97	1.09
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.23	0.08	0.55	0.91
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	0.96	0.87	0.97	1.09
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	52.05	45.07	12.89	52.13
2. Non-Interest Expense/ Gross Revenues	63.86	78.64	100.85	54.63
3. Non-Interest Expense/ Average Assets	1.11	1.18	1.04	1.15
4. Pre-impairment Op. Profit/ Average Equity	13.49	9.12	-0.22	21.70
5. Pre-impairment Op. Profit/ Average Total Assets	0.63	0.32	-0.01	0.95
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	100.19	232.97	-4,410.93	17.54
7. Operating Profit/ Average Equity	-0.03	-12.13	-10.03	17.89
8. Operating Profit/ Average Total Assets	0.00	-0.43	-0.40	0.79
9. Taxes/ Pre-tax Profit	-2,140.00	14.30	5.69	20.73
10. Pre-Impairment Operating Profit / Risk Weighted Assets	1.91	1.19	-0.03	1.97
11. Operating Profit / Risk Weighted Assets	0.00	-1.58	-1.19	1.63
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	1.02	-3.30	-41.96	13.94
2. Net Income/ Average Total Assets	0.05	-0.12	-1.66	0.61
3. Fitch Comprehensive Income/ Average Total Equity	5.51	-8.75	-33.38	13.85
4. Fitch Comprehensive Income/ Average Total Assets	0.26	-0.31	-1.32	0.61
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	0.14	-0.43	-4.96	1.27
7. Fitch Comprehensive Income/ Risk Weighted Assets	0.78	-1.14	-3.95	1.26
D. Capitalization				
1. Fitch Eligible Capital/ Fitch Adjusted Weighted Risks	9.42	10.55	6.29	n.a.
2. Tangible Common Equity/ Tangible Assets	3.58	3.59	1.64	1.63
3. Tangible Common Equity/ Total Business Volume	2.92	2.94	1.37	1.31
4. Tier 1 Regulatory Capital Ratio	12.50	14.10	10.00	7.30
5. Total Regulatory Capital Ratio	14.50	16.10	14.10	11.20
6. Fitch Eligible Capital/ Tier 1 Regulatory Capital	84.85	74.71	62.64	n.a.
7. Equity/ Total Assets	4.39	4.90	2.65	4.18
8. Cash Dividends Paid & Declared/ Net Income	0.00	0.00	-6.69	39.47
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	0.00	0.00	-8.41	39.73
10. Net Income - Cash Dividends/ Total Equity	1.05	-2.80	-57.81	5.87
E. Loan Quality				
1. Growth of Total Assets	4.08	-29.36	26.37	118.09
2. Growth of Gross Loans	-16.15	-17.26	7.54	77.49
3. Impaired Loans(NPLs)/ Gross Loans	5.96	4.83	2.15	1.24
4. Reserves for Impaired Loans/ Gross loans	2.67	2.04	1.23	0.77
5. Reserves for Impaired Loans/ Impaired Loans	44.89	42.25	56.93	62.37
6. Impaired Loans less Reserves for Imp Loans/ Equity	26.42	24.97	13.07	4.89
7. Loan Impairment Charges/ Average Gross Loans	1.59	1.84	0.95	0.35
8. Net Charge-offs/ Average Gross Loans	n.a.	0.76	0.33	0.29
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	5.96	4.83	2.15	1.24
F. Funding				
1. Loans/ Customer Deposits	123.16	121.06	140.53	122.47
2. Interbank Assets/ Interbank Liabilities	68.01	64.55	53.56	70.20

Royal Bank of Scotland Group plc (The)
Reference Data

	31 Mar 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	3 Months - 1st Quarter USDm	3 Months - 1st Quarter GBPm	As % of Assets	Year End GBPm	As % of Assets	Year End GBPm	As % of Assets	Year End GBPm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	54,610.9	36,047.0	2.04	40,008.0	2.36	49,262.0	2.05	46,441.0	2.44
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	509,091.5	336,036.0	19.03	291,634.0	17.19	352,398.0	14.67	335,688.0	17.66
6. Other Contingent Liabilities	20,456.9	13,503.0	0.76	14,012.0	0.83	31,601.0	1.32	17,970.0	0.95
7. Total Business Volume	3,259,196.6	2,151,396.0	121.84	2,042,140.0	120.37	2,834,913.0	118.04	2,300,618.0	121.09
8. Memo: Total Weighted Risks	887,027.1	585,500.0	33.16	541,000.0	31.89	695,800.0	28.97	609,000.0	32.04
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	887,027.1	585,500.0	33.16	541,000.0	31.89	695,800.0	28.97	609,000.0	32.04
B. Average Balance Sheet									
Average Loans	1,035,531.1	683,523.0	38.71	813,912.3	47.98	849,413.0	35.37	604,593.7	31.81
Average Earning Assets	2,274,164.1	1,501,107.5	85.01	1,897,633.6	111.86	1,930,770.3	80.39	1,165,540.7	61.33
Average Assets	2,622,599.1	1,731,099.0	98.04	2,003,397.2	118.09	2,083,638.7	86.76	1,261,072.3	66.35
Average Managed Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	2,246,297.4	1,482,713.5	83.97	1,864,912.4	109.93	1,917,635.3	79.85	1,151,521.3	60.59
Average Common equity	100,809.8	66,541.5	3.77	52,675.6	3.10	48,933.0	2.04	40,206.0	2.12
Average Equity	121,575.7	80,248.5	4.54	70,368.2	4.15	82,315.3	3.43	55,337.7	2.91
Average Customer Deposits	848,734.2	560,224.0	31.73	628,906.0	37.07	655,166.3	27.28	495,301.3	26.06
C. Maturities									
Asset Maturities:	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	227,745.0	13.42	338,751.0	14.10	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	500,648.0	29.51	535,971.0	22.32	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	69,197.0	4.08	69,912.0	2.91	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	198,057.0	11.67	197,637.0	8.23	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	89,622.0	5.28	133,565.0	5.56	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	2,131.0	0.13	4,632.0	0.19	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	586,628.0	34.58	611,047.0	25.44	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	27,574.0	1.63	28,465.0	1.19	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	135,641.0	8.00	248,896.0	10.36	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	6,503.0	0.38	9,148.0	0.38	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior debt Maturing < 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior debt Maturing > 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	362,404.0	239,212.0	13.55	130,667.0	7.70	300,289.0	12.50	273,615.0	14.40
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt maturing < 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt maturing > 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	40,972.9	27,045.0	1.53	32,761.0	1.93	49,154.0	2.05	37,979.0	2.00
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	117,340.6	77,453.0	4.39	83,044.0	4.90	63,755.0	2.65	79,498.0	4.18
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	17,554.2	11,587.0	0.66	11,587.0	0.68	16,743.0	0.70	11,928.0	0.63
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	134,894.8	89,040.0	5.04	94,631.0	5.58	80,498.0	3.35	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	117,340.6	77,453.0	4.39	83,044.0	4.90	63,755.0	2.65	79,498.0	4.18
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC on	-3,531.4	-2,331.0	-0.13	-2,331.0	-0.14	-2,823.0	-0.12	n.a.	-
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Goodwill	0.0	0.0	0.00	14,264.0	0.84	15,562.0	0.65	42,389.0	2.23
5. Other Intangibles	22,244.6	14,683.0	0.83	3,583.0	0.21	4,487.0	0.19	6,103.0	0.32
6. Deferred tax assets deduction	7,778.0	5,134.0	0.29	5,134.0	0.30	4,730.0	0.20	904.0	0.05
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
8. Embedded value of insurance business	6,363.0	4,200.0	0.24	4,200.0	0.25	4,200.0	0.17	n.a.	-
9. First loss tranches of off-balance sheet securitizations	20,755.4	13,700.0	0.78	12,918.0	0.76	1,326.0	0.06	n.a.	-
10. Fitch Core Capital	56,668.2	37,405.0	2.12	40,614.0	2.39	30,677.0	1.28	n.a.	-
11. Eligible weighted Hybrid capital	24,286.4	16,030.7	0.91	16,478.0	0.97	13,125.8	0.55	17,040.0	0.90
12. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
13. Fitch Eligible Capital	80,954.6	53,435.7	3.03	57,092.0	3.37	43,752.8	1.82	n.a.	-
14. Eligible Hybrid Capital Limit	24,286.4	16,030.7	0.91	17,405.9	1.03	13,125.8	0.55	n.a.	-
Exchange Rate	USD1 = GBP0.66007			USD1 = GBP0.61748		USD1 = GBP0.68597		USD1 = GBP0.49910	

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