

# Appendix 1

## Interim Results for the half year ended 30 June 2009

## Appendix 1 Reconciliations of pro forma to statutory income statements and balance sheets

### Income statement for the half year ended 30 June 2009

	Pro forma £m	Adjustments		Statutory £m
		RFS Minority Interest £m	Reallocation of one-off items £m	
<b>Net interest income</b>	<b>6,655</b>	1,514	-	<b>8,169</b>
Non-interest income (excluding insurance net premium income)	5,479	1,129	4,243	10,851
Insurance net premium income	2,657	164	-	2,821
<b>Non-interest income</b>	<b>8,136</b>	1,293	4,243	<b>13,672</b>
<b>Total income</b>	<b>14,791</b>	2,807	4,243	<b>21,841</b>
<b>Operating expenses</b>	<b>(8,733)</b>	(1,973)	(1,185)	<b>(11,891)</b>
<b>Profit before other operating charges</b>	<b>6,058</b>	834	3,058	<b>9,950</b>
Insurance net claims	(1,891)	(243)	-	(2,134)
<b>Operating profit before impairment losses</b>	<b>4,167</b>	591	3,058	<b>7,816</b>
Impairment losses	(7,521)	(539)	-	(8,060)
<b>Group operating (loss)/profit</b>	<b>(3,354)</b>	52	3,058	<b>(244)</b>
Amortisation of purchased intangible assets	(140)	-	140	-
Integration and restructuring costs	(734)	-	734	-
Write-down of goodwill	(311)	-	311	-
Gain on redemption of own debt	3,790	-	(3,790)	-
Strategic disposals	453	-	(453)	-
<b>(Loss)/profit before tax from continuing operations</b>	<b>(296)</b>	52	-	<b>(244)</b>
Tax	412	29	-	441
<b>Profit from continuing operations</b>	<b>116</b>	81	-	<b>197</b>
Loss from discontinued operations, net of tax	(58)	(4)	-	(62)
<b>Profit for the period</b>	<b>58</b>	77	-	<b>135</b>
Minority interests	(554)	(77)	-	(631)
Preference share and other dividends	(546)	-	-	(546)
<b>Loss attributable to ordinary shareholders</b>	<b>(1,042)</b>	-	-	<b>(1,042)</b>

## Appendix 1 Reconciliations of pro forma to statutory income statements and balance sheets

### Income statement for the half year ended 30 June 2008

	Pro forma £m	Adjustments		Restated statutory £m
		RFS Minority Interest £m	Reallocation of one-off items £m	
<b>Net interest income</b>	<b>7,501</b>	1,194	-	<b>8,695</b>
Non-interest income (excluding insurance net premium income)	1,289	702	-	1,991
Insurance net premium income	2,861	295	-	3,156
<b>Non-interest income</b>	<b>4,150</b>	997	-	<b>5,147</b>
<b>Total income</b>	<b>11,651</b>	2,191	-	<b>13,842</b>
<b>Operating expenses</b>	<b>(8,393)</b>	(1,748)	(578)	<b>(10,719)</b>
<b>Profit/(loss) before other operating charges</b>	<b>3,258</b>	443	(578)	<b>3,123</b>
Insurance net claims	(1,927)	(262)	-	(2,189)
<b>Operating profit/(loss) before impairment losses</b>	<b>1,331</b>	181	(578)	<b>934</b>
Impairment losses	(1,479)	(182)	-	(1,661)
<b>Group operating loss</b>	<b>(148)</b>	(1)	(578)	<b>(727)</b>
Amortisation of purchased intangible assets	(262)	-	262	-
Integration costs	(316)	-	316	-
<b>Loss before tax from continuing operations</b>	<b>(726)</b>	(1)	-	<b>(727)</b>
Tax	303	30	-	333
<b>(Loss)/profit from continuing operations</b>	<b>(423)</b>	29	-	<b>(394)</b>
(Loss)/profit from discontinued operations, net of tax	(41)	275	-	234
<b>(Loss)/profit for the period</b>	<b>(464)</b>	304	-	<b>(160)</b>
Minority interests	(148)	(304)	-	(452)
Preference share and other dividends	(215)	-	-	(215)
<b>Loss attributable to ordinary shareholders</b>	<b>(827)</b>	-	-	<b>(827)</b>

## Appendix 1 Reconciliations of pro forma to statutory income statements and balance sheets

### Income statement for the year ended 31 December 2008

	Restated pro forma £m	Adjustments		Restated statutory £m
		Minority Interest £m	Reallocation of one-off items £m	
<b>Net interest income</b>	<b>15,764</b>	2,911	-	<b>18,675</b>
Non-interest income (excluding insurance net premium income)	(874)	1,299	442	867
Insurance net premium income	5,709	617	-	6,326
<b>Non-interest income</b>	<b>4,835</b>	1,916	442	<b>7,193</b>
<b>Total income</b>	<b>20,599</b>	4,827	442	<b>25,868</b>
<b>Operating expenses</b>	<b>(16,188)</b>	(19,303)	(18,711)	<b>(54,202)</b>
<b>Profit/(loss) before other operating charges</b>	<b>4,411</b>	(14,476)	(18,269)	<b>(28,334)</b>
Insurance net claims	(3,917)	(513)	-	(4,430)
<b>Operating profit/(loss) before impairment losses</b>	<b>494</b>	(14,989)	(18,269)	<b>(32,764)</b>
Impairment losses	(7,432)	(640)	-	(8,072)
<b>Group operating loss</b>	<b>(6,938)</b>	(15,629)	(18,269)	<b>(40,836)</b>
Amortisation of purchased intangible assets	(443)	-	443	-
Integration and restructuring costs	(1,357)	-	1,357	-
Write down of goodwill and other intangible assets	(16,911)	-	16,911	-
Strategic disposals	442	-	(442)	-
<b>Loss before tax from continuing operations</b>	<b>(25,207)</b>	(15,629)	-	<b>(40,836)</b>
Tax	1,995	328	-	2,323
<b>Loss from continuing operations</b>	<b>(23,212)</b>	(15,301)	-	<b>(38,513)</b>
(Loss)/profit from discontinued operations, net of tax	(86)	4,057	-	3,971
<b>Loss for the period</b>	<b>(23,298)</b>	(11,244)	-	<b>(34,542)</b>
Minority interests	(412)	11,244	-	10,832
Preference share and other dividends	(596)	-	-	(596)
<b>Loss attributable to ordinary shareholders</b>	<b>(24,306)</b>	-	-	<b>(24,306)</b>

## Appendix 1 Reconciliations of pro forma to statutory income statements and balance sheets

### Balance sheet at 30 June 2009

	Pro forma £m	Transfers £m	Statutory £m
<b>Assets</b>			
Cash and balances at central banks	34,302	5,644	39,946
Net loans and advances to banks	48,624	11,706	60,330
Reverse repurchase agreements and stock borrowing	35,076	-	35,076
Loans and advances to banks	83,700	11,706	95,406
Net loans and advances to customers	593,277	128,983	722,260
Reverse repurchase agreements and stock borrowing	47,485	29	47,514
Loans and advances to customers	640,762	129,012	769,774
Debt securities	229,059	15,030	244,089
Equity shares	14,220	3,360	17,580
Settlement balances	23,244	20	23,264
Derivatives	555,890	1,394	557,284
Intangible assets	15,117	3,063	18,180
Property, plant and equipment	16,292	1,603	17,895
Deferred taxation	7,573	819	8,392
Prepayments, accrued income and other assets	20,620	2,645	23,265
Assets of disposal groups	3,666	182	3,848
<b>Total assets</b>	<b>1,644,445</b>	<b>174,478</b>	<b>1,818,923</b>
<b>Liabilities</b>			
Bank deposits	135,601	(8,749)	126,852
Repurchase agreements and stock lending	44,142	-	44,142
Deposits by banks	179,743	(8,749)	170,994
Customer deposits	415,267	125,407	540,674
Repurchase agreements and stock lending	75,015	-	75,015
Customer accounts	490,282	125,407	615,689
Debt securities in issue	248,710	25,470	274,180
Settlement balances and short positions	60,282	5	60,287
Derivatives	534,632	2,432	537,064
Accruals, deferred income and other liabilities	21,543	8,578	30,121
Retirement benefit liabilities	1,363	368	1,731
Deferred taxation	3,344	678	4,022
Insurance liabilities	7,186	2,356	9,542
Subordinated liabilities	32,106	3,597	35,703
Liabilities of disposal groups	7,465	33	7,498
<b>Total liabilities</b>	<b>1,586,656</b>	<b>160,175</b>	<b>1,746,831</b>
<b>Equity:</b>			
Minority interests	2,123	14,303	16,426
Owners' equity	55,666	-	55,666
<b>Total equity</b>	<b>57,789</b>	<b>14,303</b>	<b>72,092</b>
<b>Total liabilities and equity</b>	<b>1,644,445</b>	<b>174,478</b>	<b>1,818,923</b>

## Appendix 1 Reconciliations of pro forma to statutory income statements and balance sheets

### Balance sheet at 31 December 2008

	Pro forma £m	Transfers £m	Statutory £m
<b>Assets</b>			
Cash and balances at central banks	11,830	570	12,400
Net loans and advances to banks	70,728	8,698	79,426
Reverse repurchase agreements and stock borrowing	58,771	-	58,771
Loans and advances to banks	129,499	8,698	138,197
Net loans and advances to customers	691,976	143,433	835,409
Reverse repurchase agreements and stock borrowings	39,289	24	39,313
Loans and advances to customers	731,265	143,457	874,722
Debt securities	253,159	14,390	267,549
Equity shares	22,198	4,132	26,330
Settlement balances	17,812	20	17,832
Derivatives	991,495	1,064	992,559
Intangible assets	16,415	3,634	20,049
Property, plant and equipment	17,181	1,768	18,949
Deferred taxation	5,786	1,296	7,082
Prepayments, accrued income and other assets	21,573	2,829	24,402
Assets of disposal groups	480	1,101	1,581
<b>Total assets</b>	<b>2,218,693</b>	<b>182,959</b>	<b>2,401,652</b>
<b>Liabilities</b>			
Bank deposits	178,943	(4,565)	174,378
Repurchase agreements and stock lending	83,666	-	83,666
Deposits by banks	262,609	(4,565)	258,044
Customer deposits	460,318	121,051	581,369
Repurchase agreements and stock lending	58,143	-	58,143
Customer accounts	518,461	121,051	639,512
Debt securities in issue	269,458	30,831	300,289
Settlement balances and short positions	54,264	13	54,277
Derivatives	969,409	1,955	971,364
Accruals, deferred income and other liabilities	24,140	7,342	31,482
Retirement benefit liabilities	1,564	468	2,032
Deferred taxation	3,177	988	4,165
Insurance liabilities	7,480	2,496	9,976
Subordinated liabilities	43,678	5,476	49,154
Liabilities of disposal groups	138	721	859
<b>Total liabilities</b>	<b>2,154,378</b>	<b>166,776</b>	<b>2,321,154</b>
<b>Equity:</b>			
Minority interests	5,436	16,183	21,619
Owners' equity	58,879	-	58,879
Total equity	64,315	16,183	80,498
<b>Total liabilities and equity</b>	<b>2,218,693</b>	<b>182,959</b>	<b>2,401,652</b>

## Appendix 2

### Analysis by quarter

### Interim Results for the half year ended 30 June 2009

## Appendix 2 Analysis by quarter

### Summary consolidated income statement – pro forma

	Q2 2009 £m	Q1 2009 £m	H1 2009 £m	Q2 2008 £m	Q1 2008 £m	H1 2008 £m
<b>Net interest income</b>	3,117	3,538	6,655	4,038	3,463	7,501
Non-interest income (excluding insurance net premium income)	1,703	3,776	5,479	10	1,279	1,289
Insurance net premium income	1,301	1,356	2,657	1,423	1,438	2,861
<b>Total income</b>	6,121	8,670	14,791	5,471	6,180	11,651
<b>Operating expenses</b>	(4,066)	(4,667)	(8,733)	(4,487)	(3,906)	(8,393)
<b>Profit before other operating charges</b>	2,055	4,003	6,058	984	2,274	3,258
Insurance net claims	(925)	(966)	(1,891)	(949)	(978)	(1,927)
<b>Operating profit before impairment losses</b>	1,130	3,037	4,167	35	1,296	1,331
Impairment losses	(4,663)	(2,858)	(7,521)	(823)	(656)	(1,479)
<b>Group operating (loss)/profit*</b>	(3,533)	179	(3,354)	(788)	640	(148)
Amortisation of purchased intangible assets	(55)	(85)	(140)	(175)	(87)	(262)
Integration and restructuring costs	(355)	(379)	(734)	(242)	(74)	(316)
Write-down of goodwill	(311)	-	(311)	-	-	-
Gain on redemption of own debt	3,790	-	3,790	-	-	-
Strategic disposals	212	241	453	-	-	-
<b>(Loss)/profit before tax</b>	(252)	(44)	(296)	(1,205)	479	(726)
Tax	640	(228)	412	434	(131)	303
<b>Profit/(loss) from continuing operations</b>	388	(272)	116	(771)	348	(423)
Loss from discontinued operations	(13)	(45)	(58)	(21)	(20)	(41)
<b>Profit/(loss) for the period</b>	375	(317)	58	(792)	328	(464)
Minority interests	(83)	(471)	(554)	(127)	(21)	(148)
Preference share and other dividends	(432)	(114)	(546)	(133)	(82)	(215)
<b>(Loss)/profit attributable to ordinary shareholders</b>	(140)	(902)	(1,042)	(1,052)	225	(827)

\*(loss)/profit before tax, purchased intangibles amortisation, integration and restructuring costs, and write-down of goodwill and other intangible assets.

### Key metrics

Cost:income ratio	66.4%	53.8%	59.0%	82.0%	63.2%	72.0%
Net interest margin	1.60%	1.78%	1.69%	2.15%	1.99%	2.07%
Risk-weighted assets	£547.3bn	£575.7bn	£547.3bn	£491.7bn	£549.0bn	£491.7bn
Non-performing loans	£30.7bn	£23.7bn	£30.7bn	£8.8bn	£8.2bn	£8.8bn
Provision balance as % of NPL/PPLs	44%	45%	44%	55%	67%	56%

### Note:

2008 data have been restated for the amendment to IFRS 2 'Share-based Payment' and the finalisation of the ABN AMRO acquisition accounting in the second half of 2008.

## Appendix 2 Analysis by quarter

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### Commentary on Group results

#### Q2 2009 compared to Q1 2009

Income for the Group fell from £8,670 million to £6,121 million primarily reflecting the results from Global Banking and Markets ('GBM'). GBM income fell from £5,435 million to £2,395 million, a more normal level compared to exceptional levels in Q1 in particular in businesses such as Rates. Non-Core negative income fell from £2,069 million to £933 million primarily reflecting the non-recurrence monoline related credit market write-downs in the first quarter.

Net interest income fell from £3,538 million to £3,117 million as margins fell from 1.78% to 1.60% as expected, reflecting lower interest rates and higher funding costs. Non-interest income fell from £3,776 million to £1,703 million primarily reflecting lower income from trading activities in GBM.

Costs declined from £4,667 million to £4,066 million primarily reflecting lower compensation accruals within GBM. Impairment losses rose from £2,858 million to £4,663 million reflecting weakness across nearly all credit portfolios and rising delinquencies.

The Group recorded a gain of £3,790 million on the redemption of certain Tier 1 and Upper Tier 2 outstanding debt securities in the second quarter, and also a gain of £212 million on the disposal of Linea Directa. Minority interests in the first quarter included £359 million relating to the disposal of the stake in Bank of China. Preference share dividends of £432 million in the second quarter included a £274 million dividend relating to the repayment of preference shares to the UK government completed in April 2009.

#### Q2 2009 compared to Q2 2008

Income for the Group rose from £5,471 million to £6,121 million primarily reflecting a strong performance by GBM. GBM income rose from £1,560 million to £2,395 million driven primarily by the rates business. Non core negative income fell from £1,693 million to £933 million, primarily reflecting monoline related credit market write-downs in 2008.

Net interest income fell from £4,038 million to £3,117 million as margins fell from 2.15% to 1.60% as expected, reflecting lower interest rates and higher funding costs. Non-interest income went from £10 million to £1,703 million reflecting lower trading income losses within the Non-Core division.

Costs declined from £4,487 million to £4,066 million primarily reflecting lower variable compensation within GBM, due to changes in accounting for incentive pay. Impairment losses rose from £823 million to £4,663 million reflecting weakness across all credit portfolios and rising delinquencies.

The Group recorded a gain of £3,790 million on the redemption of certain Tier 1 and Upper Tier 2 debt securities in the second quarter of 2009, and also a gain of £212 million on the disposal of Linea Directa. Preference share dividends of £432 million in the second quarter included a £274 million dividend relating to the repayment of preference shares to the UK government completed in April 2009.

## Appendix 2 Analysis by quarter

### Divisional performance

The profit/(loss) of each division before amortisation of purchased intangible assets, write-down of goodwill and other assets, integration and restructuring costs, and after allocation of manufacturing costs is shown below. The Group manages costs where they arise. Customer-facing divisions control their direct expenses whilst Manufacturing is responsible for shared costs.

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Operating profit/(loss) before impairment losses</b>						
UK Retail	499	378	877	502	452	954
UK Corporate	494	378	872	524	511	1,035
Wealth	137	103	240	98	92	190
Global Banking & Markets	1,188	3,922	5,110	(101)	1,233	1,132
Global Transaction Services	269	240	509	248	249	497
Ulster Bank	78	71	149	108	82	190
US Retail & Commercial	136	182	318	190	227	417
RBS Insurance	142	81	223	192	108	300
Central items	(313)	486	173	652	18	670
Core	2,630	5,841	8,471	2,413	2,972	5,385
Non-Core	(1,500)	(2,804)	(4,304)	(2,378)	(1,676)	(4,054)
<b>Operating profit before impairment losses</b>	<b>1,130</b>	<b>3,037</b>	<b>4,167</b>	<b>35</b>	<b>1,296</b>	<b>1,331</b>
Included in the above are movements in fair value of own debt of:						
Global Banking & Markets	(483)	647	164	174	410	584
Central items	(477)	384	(93)	30	198	228
	(960)	1,031	71	204	608	812
<b>Impairment losses by division</b>						
UK Retail	470	354	824	213	227	440
UK Corporate	450	101	551	54	42	96
Wealth	16	6	22	3	2	5
Global Banking & Markets	(32)	269	237	(40)	57	17
Global Transaction Services	4	9	13	3	1	4
Ulster Bank	90	67	157	7	11	18
US Retail & Commercial	146	223	369	64	62	126
RBS Insurance	1	5	6	-	-	-
Central items	1	(3)	(2)	(35)	(1)	(36)
Core	1,146	1,031	2,177	269	401	670
Non-Core	3,517	1,827	5,344	554	255	809
<b>Total impairment losses</b>	<b>4,663</b>	<b>2,858</b>	<b>7,521</b>	<b>823</b>	<b>656</b>	<b>1,479</b>

## Appendix 2 Analysis by quarter

### Divisional performance (continued)

	Q2 2009 £m	Q1 2009 £m	H1 2009 £m	Q2 2008 £m	Q1 2008 £m	H1 2008 £m
<b>Operating profit/(loss) by division</b>						
UK Retail	29	24	53	289	225	514
UK Corporate	44	277	321	470	469	939
Wealth	121	97	218	95	90	185
Global Banking & Markets	1,220	3,653	4,873	(61)	1,176	1,115
Global Transaction Services	265	231	496	245	248	493
Ulster Bank	(12)	4	(8)	101	71	172
US Retail & Commercial	(10)	(41)	(51)	126	165	291
RBS Insurance	141	76	217	192	108	300
Central items	(314)	489	175	687	19	706
Core	1,484	4,810	6,294	2,144	2,571	4,715
Non-Core	(5,017)	(4,631)	(9,648)	(2,932)	(1,931)	(4,863)
<b>Group operating (loss)/profit</b>	<b>(3,533)</b>	<b>179</b>	<b>(3,354)</b>	<b>(788)</b>	<b>640</b>	<b>(148)</b>
Loan impairment losses	4,520	2,276	6,796	750	656	1,406
Impairment losses on available-for-sale securities	143	582	725	73	-	73
	4,663	2,858	7,521	823	656	1,479
Loan impairment charge as % of gross loans and advances excluding reverse repurchase agreements	2.98%	1.34%	2.24%	0.49%	0.43%	0.46%
	£bn	£bn		£bn	£bn	
<b>Risk-weighted assets by division</b>						
UK Retail	54.0	49.6		44.7	42.4	
UK Corporate	85.1	81.6		84.9	93.0	
Wealth	10.5	10.8		10.4	9.8	
Global Banking & Markets	126.6	153.1		137.7	196.4	
Global Transaction Services	16.7	17.9		16.9	16.1	
Ulster Bank	26.2	26.2		21.5	24.4	
US Retail & Commercial	55.6	64.3		44.8	44.9	
Other	8.6	7.8		8.2	10.8	
Core	383.3	411.3		369.1	437.8	
Non-Core	164.0	164.4		122.6	111.2	
<b>Total risk-weighted assets</b>	<b>547.3</b>	<b>575.7</b>		<b>491.7</b>	<b>549.0</b>	

## Appendix 2 Analysis by quarter

### UK Retail

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income	877	807	1,684	767	763	1,530
Net fees and commissions - banking	321	337	658	416	398	814
Other non-interest income (net of insurance claims)	69	53	122	73	66	139
Non-interest income	390	390	780	489	464	953
Total income	1,267	1,197	2,464	1,256	1,227	2,483
Direct expenses						
- staff	(214)	(214)	(428)	(220)	(225)	(445)
- other	(103)	(118)	(221)	(105)	(114)	(219)
Indirect expenses	(451)	(487)	(938)	(429)	(436)	(865)
	(768)	(819)	(1,587)	(754)	(775)	(1,529)
Operating profit before impairment losses	499	378	877	502	452	954
Impairment losses	(470)	(354)	(824)	(213)	(227)	(440)
Operating profit	29	24	53	289	225	514
<b>Analysis of income by product:</b>						
Personal advances	307	302	609	315	318	633
Mortgages	272	208	480	99	120	219
Personal deposits	349	392	741	521	477	998
Bancassurance	70	52	122	71	61	132
Cards	212	204	416	212	206	418
Other	57	39	96	38	45	83
Total income	1,267	1,197	2,464	1,256	1,227	2,483
<b>Analysis of impairment by sector:</b>						
Mortgages	41	22	63	7	6	13
Personal	299	195	494	120	135	255
Cards	130	137	267	86	86	172
Total impairment	470	354	824	213	227	440
<b>Loan impairment charge as % of gross customer loans and advances</b>						
Mortgages	0.21%	0.12%	0.16%	0.04%	0.04%	0.04%
Personal	8.48%	5.27%	7.01%	3.10%	3.58%	3.29%
Cards	8.52%	9.13%	8.75%	5.06%	4.99%	5.06%
	1.94%	1.50%	1.70%	0.93%	1.02%	0.96%

## Appendix 2 Analysis by quarter

### UK Retail (continued)

	Q2 2009 £bn	Q1 2009 £bn	H1 2009	Q2 2008 £bn	Q1 2008 £bn	H1 2008
<b>Performance ratios</b>						
Return on equity (1)	2.0%	1.6%	1.8%	21.7%	18.1%	19.3%
Net interest margin	3.73%	3.50%	3.62%	3.48%	3.56%	3.52%
Cost:income ratio	59.2%	68.7%	63.7%	57.8%	62.4%	60.0%
<b>Capital and balance sheet</b>						
Loans and advances to customers – gross						
- mortgages	76.9	73.5		69.7	66.6	
- personal	14.1	14.8		15.5	15.1	
- cards	6.1	6.0		6.8	6.9	
Customer deposits (excluding bancassurance)	83.4	80.3		76.6	77.0	
Loan:deposit ratio (excluding repos)	116.4%	117.4%		120.1%	115.1%	
AUMs – excluding deposits	4.7	4.6		6.6	6.5	
Non-performing loans	4.5	4.1		3.3	3.2	
Risk-weighted assets	54.0	49.6		44.7	42.4	

Note:

- (1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

## Appendix 2 Analysis by quarter

### UK Corporate

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income	533	473	1,006	589	605	1,194
Net fees and commissions	205	182	387	196	181	377
Other non-interest income	91	91	182	113	105	218
Non-interest income	296	273	569	309	286	595
Total income	829	746	1,575	898	891	1,789
Direct expenses						
- staff	(170)	(172)	(342)	(181)	(187)	(368)
- other	(40)	(66)	(106)	(68)	(69)	(137)
Indirect expenses	(125)	(130)	(255)	(125)	(124)	(249)
	(335)	(368)	(703)	(374)	(380)	(754)
Operating profit before impairment losses	494	378	872	524	511	1,035
Impairment losses	(450)	(101)	(551)	(54)	(42)	(96)
Operating profit	44	277	321	470	469	939
<b>Analysis of income by business:</b>						
Corporate and commercial lending	365	327	692	405	387	792
Asset and invoice finance	123	110	233	125	120	245
Corporate deposits	258	286	544	307	266	573
Other	83	23	106	61	118	179
Total income	829	746	1,575	898	891	1,789
<b>Analysis of impairment by sector:</b>						
Manufacturing	17	4	21	7	3	10
Housebuilding and construction	55	6	61	2	3	5
Property	156	11	167	6	1	7
Asset & invoice finance	48	20	68	25	13	38
Other	174	60	234	14	22	36
Total impairment	450	101	551	54	42	96
<b>Loan impairment charge as % of gross customer loans and advances excluding reverse repurchase agreements by sector:</b>						
Manufacturing	1.42%	0.31%	0.87%	0.59%	0.28%	0.44%
Housebuilding and construction	4.15%	0.42%	2.30%	0.15%	0.21%	0.19%
Property	1.90%	0.14%	1.02%	0.08%	0.01%	0.05%
Asset & invoice finance	2.18%	0.94%	1.54%	1.18%	0.62%	0.92%
Other	1.38%	0.45%	0.92%	0.11%	0.16%	0.13%
	1.76%	0.38%	1.08%	0.21%	0.17%	0.18%

## Appendix 2 Analysis by quarter

### UK Corporate (continued)

	Q2 2009 £bn	Q1 2009 £bn	H1 2009	Q2 2008 £bn	Q1 2008 £bn	H1 2008
<b>Performance ratios</b>						
Return on equity (1)	1.7%	11.6%	6.3%	19.6%	18.0%	19.6%
Net interest margin	2.29%	1.99%	2.14%	2.55%	2.73%	2.64%
Cost:income ratio	40.4%	49.3%	44.6%	41.7%	42.7%	42.2%
<b>Capital and balance sheet</b>						
Total assets	106.0	108.7		108.2	105.6	
Loans and advances to customers – gross						
- Manufacturing	4.8	5.1		4.5	4.3	
- Housebuilding and construction	5.3	5.7		5.4	5.2	
- Property	32.9	32.4		29.2	27.3	
- Asset and invoice finance	8.8	8.6		8.3	8.6	
- Other	50.6	53.6		57.0	56.4	
Customer deposits	84.1	81.2		83.9	84.3	
Loan:deposit ratio (excluding repos)	121.8%	129.7%		124.5%	120.8%	
Non-performing loans	2.4	2.0		0.9	1.1	
Risk-weighted assets	85.1	81.6		84.9	93.0	

Note:

- (1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 8% of divisional risk-weighted assets, adjusted for capital deductions).

## Appendix 2 Analysis by quarter

### Wealth

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income	179	160	339	144	127	271
Net fees and commissions	91	91	182	106	106	212
Other non-interest income	22	21	43	16	23	39
Non-interest income	113	112	225	122	129	251
Total income	292	272	564	266	256	522
Direct expenses						
- staff	(79)	(90)	(169)	(95)	(92)	(187)
- other	(35)	(33)	(68)	(37)	(35)	(72)
Indirect expenses	(41)	(46)	(87)	(36)	(37)	(73)
	(155)	(169)	(324)	(168)	(164)	(332)
Operating profit before impairment losses	137	103	240	98	92	190
Impairment losses	(16)	(6)	(22)	(3)	(2)	(5)
Operating profit	121	97	218	95	90	185
<b>Analysis of income:</b>						
Private Banking	247	222	469	204	191	395
Investments	45	50	95	62	65	127
Total income	292	272	564	266	256	522
	£bn	£bn		£bn	£bn	
<b>Performance ratios</b>						
Net interest margin	4.82%	4.45%	4.64%	4.49%	4.35%	4.42%
Cost:income ratio	53.1%	62.1%	57.5%	63.2%	64.1%	63.6%
<b>Capital and balance sheet</b>						
Loans and advances to customers – gross						
- mortgages	5.8	5.7		5.2	4.7	
- personal	4.7	4.6		4.3	4.4	
- other	2.2	2.3		1.8	1.9	
Customer deposits	35.7	35.3		36.1	35.8	
Loan:deposit ratio (excluding repos)	35.5%	35.6%		31.3%	30.8%	
AUMs – excluding deposits	29.8	31.3		34.7	34.6	
Non-performing loans	0.2	0.1		0.1	0.1	
Risk-weighted assets	10.5	10.8		10.4	9.8	

## Appendix 2 Analysis by quarter

### Global Banking & Markets

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income from banking activities	712	848	1,560	340	528	868
Net fees and commissions receivable	424	304	728	443	200	643
Income from trading activities	1,357	4,376	5,733	914	1,320	2,234
Other operating income (net of related funding costs)	(98)	(93)	(191)	(137)	68	(69)
Non-interest income	1,683	4,587	6,270	1,220	1,588	2,808
Total income	2,395	5,435	7,830	1,560	2,116	3,676
Direct expenses						
- staff	(773)	(1,014)	(1,787)	(1,131)	(472)	(1,603)
- other	(233)	(306)	(539)	(381)	(259)	(640)
Indirect expenses	(201)	(193)	(394)	(149)	(152)	(301)
	(1,207)	(1,513)	(2,720)	(1,661)	(883)	(2,544)
Operating profit/(loss) before impairment losses	1,188	3,922	5,110	(101)	1,233	1,132
Impairment losses	32	(269)	(237)	40	(57)	(17)
Operating profit/(loss)	1,220	3,653	4,873	(61)	1,176	1,115

### Analysis of income by product:

Rates - money markets	567	789	1,356	237	263	500
Rates - flow	567	1,375	1,942	597	806	1,403
Currencies	391	585	976	324	375	699
Commodities	239	228	467	334	15	349
Equities	362	371	733	345	216	561
Credit markets	654	798	1,452	(760)	(268)	(1,028)
Portfolio management and origination	98	642	740	309	299	608
Fair value of own debt	(483)	647	164	174	410	584
Total income	2,395	5,435	7,830	1,560	2,116	3,676

### Analysis of impairment by sector:

Manufacturing and infrastructure	23	16	39	-	-	-
Property and construction	4	46	50	-	12	12
Transport	1	-	1	-	-	-
Banks and financial institutions	39	4	43	(41)	32	(9)
Others	(99)	203	104	1	13	14
Total impairment	(32)	269	237	(40)	57	17

### Loan impairment charge as % of gross customer loans and advances excluding reverse repurchase agreements

	(0.10%)	0.63%	0.37%	(0.11%)	0.15%	0.02%
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## Appendix 2 Analysis by quarter

### Global Banking & Markets (continued)

	Q2 2009 £bn	Q1 2009 £bn	H1 2009	Q2 2008 £bn	Q1 2008 £bn	H1 2008
<b>Performance ratios</b>						
Return on equity (1)	25.8%	65.6%	51.6%	(1.3%)	17.1%	11.4%
Net interest margin	1.48%	1.91%	1.69%	0.72%	1.15%	0.93%
Cost:income ratio	50.4%	27.8%	34.7%	106.5%	41.7%	69.2%
<b>Capital and balance sheet</b>						
Loans and advances (including banks)	166.4	217.9		175.2	185.3	
Reverse repos	75.2	80.6		179.9	283.4	
Securities	115.5	124.3		147.6	190.5	
Cash and eligible bills	51.5	28.6		48.6	26.8	
Other assets	46.3	43.1		47.6	55.8	
Total third party assets (excluding derivatives mark to market)	454.9	494.5		598.9	741.8	
Net derivative assets (after netting)	70.7	98.0		57.0	89.0	
Customer deposits (excluding repos)	66.0	83.1		82.8	90.7	
Non-performing loans	1.1	0.8		0.4	0.2	
Loan:deposit ratio (excluding repos)	195.8%	205.0%		174.0%	162.7%	
Risk-weighted assets	126.6	153.1		137.7	196.4	

Note:

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



## Appendix 2 Analysis by quarter

### Ulster Bank

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income	208	202	410	208	184	392
Net fees and commissions	39	46	85	58	46	104
Other non-interest income	12	11	23	20	19	39
Non-interest income	51	57	108	78	65	143
Total income	259	259	518	286	249	535
Direct expenses						
- staff	(81)	(89)	(170)	(84)	(75)	(159)
- other	(25)	(22)	(47)	(24)	(22)	(46)
Indirect expenses	(75)	(77)	(152)	(70)	(70)	(140)
	(181)	(188)	(369)	(178)	(167)	(345)
Operating profit before impairment losses	78	71	149	108	82	190
Impairment losses	(90)	(67)	(157)	(7)	(11)	(18)
Operating (loss)/profit	(12)	4	(8)	101	71	172

### Analysis of income by business:

Ulster corporate	138	161	299	171	148	319
Ulster retail	101	93	194	106	91	197
Other	20	5	25	9	10	19
Total income	259	259	518	286	249	535

### Analysis of impairment by sector:

Mortgages	10	13	23	-	7	7
Corporate	66	41	107	-	-	-
Other	14	13	27	7	4	11
Total impairment	90	67	157	7	11	18

### Loan impairment charge as % of gross customer loans and advances excluding reverse repurchase agreements by sector:

Mortgages	0.25%	0.30%	0.29%	-	0.18%	0.09%
Corporate	1.23%	0.72%	1.00%	-	-	-
Other	3.50%	2.60%	3.38%	1.17%	0.70%	0.92%
	0.92%	0.64%	0.81%	0.08%	0.12%	0.10%

## Appendix 2 Analysis by quarter

### Ulster Bank (continued)

	Q2 2009 £bn	Q1 2009 £bn	H1 2009	Q2 2008 £bn	Q1 2008 £bn	H1 2008
<b>Performance ratios</b>						
Return on equity (1)	(2.0%)	0.7%	(0.7%)	21.4%	13.6%	18.2%
Net interest margin	2.03%	1.87%	1.95%	2.02%	1.82%	1.92%
Cost:income ratio	69.9%	72.6%	71.2%	62.2%	67.1%	64.5%
<b>Capital and balance sheet</b>						
Loans and advances to customers – gross						
- mortgages	16.0	17.4		15.7	15.9	
- corporate	21.2	22.8		18.8	18.7	
- other	1.8	2.0		2.4	2.3	
Customer deposits	18.9	19.5		22.9	23.8	
Loan:deposit ratio (excluding repos)	206.3%	216.4%		161.1%	155.0%	
Non-performing loans						
- mortgages	0.4	0.4		0.2	0.2	
- corporate	1.1	1.0		0.2	0.2	
- other	0.1	0.1		0.1	0.1	
Risk-weighted assets	26.2	26.2		21.5	24.4	

Note:

- (1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

## Appendix 2 Analysis by quarter

### US Retail and Commercial

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income	448	494	942	390	384	774
Net fees and commissions	209	198	407	160	150	310
Other non-interest income	45	52	97	24	60	84
Non-interest income	254	250	504	184	210	394
Total income	702	744	1,446	574	594	1,168
Direct expenses						
- staff	(184)	(218)	(402)	(159)	(152)	(311)
- other	(188)	(143)	(331)	(76)	(66)	(142)
Indirect expenses	(194)	(201)	(395)	(149)	(149)	(298)
	(566)	(562)	(1,128)	(384)	(367)	(751)
Operating profit before impairment losses	136	182	318	190	227	417
Impairment losses	(146)	(223)	(369)	(64)	(62)	(126)
Operating (loss)/profit	(10)	(41)	(51)	126	165	291
Average exchange rate - US\$/£	1.551	1.436	1.494	1.971	1.979	1.975

### Analysis of income by product:

Mortgages and home equity	130	142	272	88	87	175
Personal lending and cards	113	107	220	80	77	157
Retail deposits	202	231	433	244	221	465
Commercial lending	140	141	281	90	89	179
Commercial deposits	89	104	193	88	81	169
Other	28	19	47	(16)	39	23
Total income	702	744	1,446	574	594	1,168

### Analysis of impairment by sector:

Residential mortgages	12	23	35	7	5	12
Home equity	43	29	72	12	13	25
Corporate & commercial	61	108	169	23	17	40
Other	30	63	93	22	27	49
Total impairment	146	223	369	64	62	126

### Loan impairment charge as % of gross customer loans and advances excluding reverse repurchase agreements by sector:

Residential mortgages	0.66%	1.00%	0.96%	0.35%	0.25%	0.30%
Home equity	1.08%	0.62%	0.91%	0.36%	0.39%	0.37%
Corporate & commercial	1.19%	1.79%	1.65%	0.55%	0.43%	0.47%
Other	1.45%	2.57%	2.25%	1.22%	1.44%	1.35%
	1.12%	1.44%	1.42%	0.56%	0.55%	0.55%

## Appendix 2 Analysis by quarter

### US Retail and Commercial (continued)

	Q2 2009 £bn	Q1 2009 £bn	H1 2009	Q2 2008 £bn	Q1 2008 £bn	H1 2008
<b>Performance ratios</b>						
Return on equity (1)	(0.7%)	(2.4%)	(1.7%)	10.4%	13.7%	12.1%
Net interest margin	2.30%	2.33%	2.31%	2.62%	2.61%	2.61%
Cost:income ratio	80.6%	75.4%	78.0%	66.9%	61.8%	64.2%
<b>Capital and balance sheet</b>						
Total assets	75.6	94.9		68.9	68.4	
Loans and advances to customers (gross):						
- residential mortgages	7.3	9.2		8.0	8.1	
- home equity	15.9	18.8		13.5	13.4	
- corporate and commercial	20.5	24.2		16.6	16.0	
- other consumer	8.3	9.8		7.2	7.5	
Customer deposits	60.2	67.9		52.5	50.5	
Loan:deposit ratio (excluding repos)	86.7%	91.5%		87.4%	90.8%	
Non-performing loans						
- retail	0.3	0.3		0.1	0.1	
- commercial	0.1	0.1		-	-	
Risk-weighted assets	55.6	64.3		44.8	44.9	
Spot exchange rate - US\$/£	1.644	1.433		1.989	1.986	

Note:

- (1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

## Appendix 2 Analysis by quarter

### US Retail and Commercial (continued)

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income statement</b>						
Net interest income	696	711	1,407	768	761	1,529
Net fees and commissions	324	284	608	316	296	612
Other non-interest income	69	75	144	49	119	168
Non-interest income	393	359	752	365	415	780
Total income	1,089	1,070	2,159	1,133	1,176	2,309
Direct expenses						
- staff	(287)	(313)	(600)	(313)	(301)	(614)
- other	(289)	(206)	(495)	(151)	(130)	(281)
Indirect expenses	(301)	(288)	(589)	(292)	(296)	(588)
	(877)	(807)	(1,684)	(756)	(727)	(1,483)
Operating profit before impairment losses	212	263	475	377	449	826
Impairment losses	(231)	(320)	(551)	(127)	(122)	(249)
Operating (loss)/profit	(19)	(57)	(76)	250	327	577
<b>Analysis of income by product:</b>						
Mortgages and home equity	203	204	407	173	173	346
Personal lending and cards	174	154	328	158	152	310
Retail deposits	315	332	647	482	437	919
Commercial lending	217	202	419	177	177	354
Commercial deposits	138	150	288	174	160	334
Other	42	28	70	(31)	77	46
Total income	1,089	1,070	2,159	1,133	1,176	2,309
<b>Analysis of impairment by sector:</b>						
Residential mortgages	19	33	52	14	10	24
Home equity	65	42	107	25	25	50
Corporate & commercial	99	154	253	45	33	78
Other	48	91	139	43	54	97
Total impairment	231	320	551	127	122	249
<b>Loan impairment charge as % of gross customer loans and advances excluding reverse repurchase agreements by sector:</b>						
Residential mortgages	0.63%	1.00%	0.87%	0.35%	0.25%	0.30%
Home equity	1.00%	0.62%	0.82%	0.37%	0.37%	0.37%
Corporate & commercial	1.18%	1.79%	1.50%	0.55%	0.42%	0.47%
Other	1.41%	2.57%	2.04%	1.19%	1.46%	1.35%
	1.08%	1.44%	1.29%	0.56%	0.55%	0.55%

## Appendix 2 Analysis by quarter

### US Retail and Commercial (continued)

	Q2 2009 \$bn	Q1 2009 \$bn	H1 2009	Q2 2008 \$bn	Q1 2008 \$bn	H1 2008
<b>Performance ratios</b>						
Return on equity (1)	(0.8%)	(2.3%)	(1.5%)	10.4%	13.6%	12.0%
Net interest margin	2.32%	2.33%	2.32%	2.61%	2.61%	2.61%
Cost:income ratio	80.5%	75.4%	78.0%	66.7%	61.8%	64.2%
<b>Capital and balance sheet</b>						
Total assets	124.4	136.0		137.0	135.8	
Loans and advances to customers (gross):						
- residential mortgages	12.0	13.2		15.9	16.1	
- home equity	26.1	26.9		26.8	26.7	
- corporate and commercial	33.6	34.7		33.0	31.8	
- other consumer	13.7	14.1		14.4	14.8	
Customer deposits	99.0	97.4		104.5	100.3	
Loan:deposit ratio (excluding repos)	86.7%	91.5%		87.4%	90.8%	
Non-performing loans						
- retail	0.4	0.4		0.2	0.2	
- commercial	0.3	0.2		0.1	0.1	
Risk-weighted assets	91.3	92.1		89.2	89.2	

Note:

- (1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

## Appendix 2 Analysis by quarter

### RBS Insurance

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Earned premiums	1,119	1,106	2,225	1,126	1,137	2,263
Reinsurers' share	(40)	(45)	(85)	(51)	(56)	(107)
Insurance premium income	1,079	1,061	2,140	1,075	1,081	2,156
Net fees and commissions	(95)	(92)	(187)	(101)	(100)	(201)
Other income	104	108	212	133	134	267
<b>Total income</b>	<b>1,088</b>	<b>1,077</b>	<b>2,165</b>	<b>1,107</b>	<b>1,115</b>	<b>2,222</b>
Direct expenses						
- staff	(69)	(70)	(139)	(67)	(78)	(145)
- other	(54)	(67)	(121)	(52)	(75)	(127)
Indirect expenses	(65)	(66)	(131)	(62)	(62)	(124)
	(188)	(203)	(391)	(181)	(215)	(396)
Gross claims	(776)	(798)	(1,574)	(723)	(848)	(1,571)
Reinsurers' share	18	5	23	(11)	56	45
<b>Net claims</b>	<b>(758)</b>	<b>(793)</b>	<b>(1,551)</b>	<b>(734)</b>	<b>(792)</b>	<b>(1,526)</b>
Operating profit before impairment losses	142	81	223	192	108	300
Impairment losses	(1)	(5)	(6)	-	-	-
<b>Operating profit</b>	<b>141</b>	<b>76</b>	<b>217</b>	<b>192</b>	<b>108</b>	<b>300</b>

### Analysis of income by product:

Motor own-brands	495	477	972	475	484	959
Household and Life own-brands	210	204	414	195	205	400
Motor partnerships and broker	145	145	290	171	182	353
Household and Life, partnerships and broker	81	83	164	90	91	181
Other (International, commercial and central)	157	168	325	176	153	329
<b>Total income</b>	<b>1,088</b>	<b>1,077</b>	<b>2,165</b>	<b>1,107</b>	<b>1,115</b>	<b>2,222</b>

### In-force policies (thousands)

- Own-brand motor	4,789	4,601		4,424	4,387	
- Own-brand non-motor (home, rescue, pet, HR24)	5,890	5,643		5,449	3,839	
- Partnerships & broker (motor, home, rescue, pet, HR24)	5,609	5,750		6,417	6,588	
- Other (international, commercial and central)	1,210	1,211		1,123	1,112	
<b>General insurance reserves – total (£m)</b>	<b>6,601</b>	<b>6,630</b>		<b>6,658</b>	<b>6,705</b>	

### Key business metrics

Return on equity (1)	17.7%	9.5%	13.6%	24.0%	13.5%	18.8%
Cost:income ratio	17.3%	18.9%	18.1%	16.4%	19.3%	17.8%
Adjusted cost:income ratio (2)	57.0%	71.5%	63.7%	48.5%	66.6%	56.9%
Gross written premiums (£m)	1,147	1,123	2,270	1,116	1,108	2,224

### Notes:

- (1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on regulatory capital).
- (2) Adjusted cost:income ratio is based on total income and operating expenses after netting insurance claims against total income.

## Appendix 2 Analysis by quarter

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### Central items

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
Operating (loss)/profit	(314)	489	175	687	19	706

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## Appendix 2 Analysis by quarter

### Non-Core

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
Net interest income from banking activities	239	373	612	406	514	920
Net fees and commissions receivable	78	178	256	265	230	495
Income from trading activities	(1,390)	(2,886)	(4,276)	(3,152)	(2,134)	(5,286)
Other operating income (net of related funding costs)	(56)	22	(34)	544	301	845
Insurance net premium income	196	244	440	244	241	485
Non-interest income	(1,172)	(2,442)	(3,614)	(2,099)	(1,362)	(3,461)
Total income	(933)	(2,069)	(3,002)	(1,693)	(848)	(2,541)
Direct expenses						
- staff	(72)	(187)	(259)	(207)	(203)	(410)
- other	(221)	(229)	(450)	(182)	(327)	(509)
Indirect expenses	(137)	(142)	(279)	(128)	(128)	(256)
	(430)	(558)	(988)	(517)	(658)	(1,175)
Net claims	(137)	(177)	(314)	(168)	(170)	(338)
Operating loss before impairment losses	(1,500)	(2,804)	(4,304)	(2,378)	(1,676)	(4,054)
Impairment losses	(3,517)	(1,827)	(5,344)	(554)	(255)	(809)
Operating loss	(5,017)	(4,631)	(9,648)	(2,932)	(1,931)	(4,863)
	£bn	£bn		£bn	£bn	
<b>Performance ratios</b>						
Cost:income ratio	(46.1%)	(27.0%)	(32.9%)	(30.5%)	(77.6%)	(46.2%)
Net interest margin	0.38%	0.59%	0.49%	0.83%	0.83%	0.83%
<b>Capital and balance sheet</b>						
Total assets	231.1	297.1		276.3	309.0	
Loans and advances to customers (gross):	166.3	183.1		164.9	170.0	
Customer deposits	20.8	22.0		25.1	27.4	
Loan:deposit ratio (excluding repos)	819.6%	840.6%		654.7%	606.3%	
Risk-weighted assets	164.0	164.4		122.6	111.2	
	£m	£m	£m	£m	£m	£m
<b>Income by donating division:</b>						
UK Retail	4	(1)	3	73	74	147
UK Corporate	123	121	244	154	170	324
Wealth	100	109	209	120	123	243
Global Banking & Markets	(1,496)	(2,725)	(4,221)	(2,430)	(1,527)	(3,957)
Global Transaction Services	38	47	85	29	31	60
Ulster Bank	60	52	112	91	100	191
US Retail & Commercial	75	95	170	76	86	162
RBS Insurance	177	229	406	271	272	543
Central items	(14)	4	(10)	(77)	(177)	(254)
Total income	(933)	(2,069)	(3,002)	(1,693)	(848)	(2,541)

## Appendix 2 Analysis by quarter

### Non-Core (continued)

	Q2 2009	Q1 2009	H1 2009	Q2 2008	Q1 2008	H1 2008
	£m	£m	£m	£m	£m	£m
<b>Impairment losses by donating division:</b>						
UK Retail	19	15	34	24	23	47
UK Corporate	887	205	1,092	74	32	106
Wealth	70	86	156	31	30	61
Global Banking & Markets	1,879	1,108	2,987	277	-	277
Global Transaction Services	12	5	17	4	2	6
Ulster Bank	329	155	484	47	31	78
US Retail & Commercial	321	253	574	97	137	234
<b>Total impairment</b>	<b>3,517</b>	<b>1,827</b>	<b>5,344</b>	<b>554</b>	<b>255</b>	<b>809</b>

### Loan impairment charge as a % of gross loans and advances to customers by donating division:

UK Retail	2.61%	1.95%	2.34%	1.71%	1.65%	1.67%
UK Corporate	14.53%	3.39%	8.94%	1.28%	0.59%	0.92%
Wealth	10.87%	11.79%	12.19%	5.21%	5.28%	5.13%
Global Banking & Markets	6.71%	1.89%	4.38%	1.05%	-	0.53%
Global Transaction Services	4.02%	0.97%	2.85%	1.14%	0.60%	0.86%
Ulster Bank	8.12%	3.54%	5.97%	1.29%	0.79%	1.07%
US Retail & Commercial	10.46%	6.68%	9.34%	3.29%	4.55%	3.96%
	8.26%	2.82%	5.65%	1.35%	0.63%	1.00%

	£bn	£bn	£bn	£bn	£bn	£bn
<b>Loans and advances by donating division (1):</b>						
UK Retail	2.9	3.1		5.6	5.6	
UK Corporate	24.4	24.2		23.1	21.7	
Wealth	2.6	3.0		2.4	2.3	
Global Banking & Markets	106.4	117.8		105.7	110.8	
Global Transaction Services	1.2	2.1		1.4	1.3	
Ulster Bank	16.2	17.5		14.6	15.8	
US Retail & Commercial	12.3	15.1		11.8	12.1	
RBS Insurance	0.2	0.2		0.2	0.2	
Other	0.1	0.1		0.1	0.2	
	166.3	183.1		164.9	170.0	

Note:

(1) Including disposal groups.

### Risk-weighted assets by donating division:

UK Retail	2.0	1.9		5.0	5.3
UK Corporate	18.9	20.3		19.4	17.3
Wealth	2.9	3.3		3.4	3.4
Global Banking & Markets	118.1	115.0		72.5	63.1
Global Transaction Services	1.9	3.0		2.2	1.8
Ulster Bank	8.4	6.8		8.9	8.0
US Retail & Commercial	11.5	13.7		10.6	12.3
Other	0.3	0.4		0.6	-
	164.0	164.4		122.6	111.2

## Appendix 2 Analysis by quarter

### Balance sheet

	30 June 2009 £m	31 March 2009 £m	30 June 2008 £m	31 March 2008 £m
<b>Assets</b>				
Cash and balances at central banks	34,302	20,384	35,208	13,310
Inter-bank lending	48,624	60,258	43,570	49,435
Reverse repurchase agreements and stock borrowing	35,076	44,828	107,767	164,622
Loans and advances to banks	83,700	105,086	151,337	214,057
Net loans and advances to customers	593,277	671,077	603,577	606,482
Reverse repurchase agreements and stock borrowing	47,485	46,561	85,960	134,391
Loans and advances to customers	640,762	717,638	689,537	740,873
Debt securities	229,059	248,904	244,238	266,807
Equity shares	14,220	14,281	33,348	36,841
Settlement balances	23,244	24,446	27,606	40,075
Derivatives	555,890	868,657	414,655	460,287
Intangible assets	15,117	16,371	28,444	28,451
Property, plant and equipment	16,292	17,561	14,647	17,387
Deferred taxation	7,573	6,298	1,092	3,172
Prepayments, accrued income and other assets	20,620	20,692	18,190	11,881
Assets of disposal groups	3,666	170	4,208	1,131
<b>Total assets</b>	<b>1,644,445</b>	<b>2,060,488</b>	<b>1,662,510</b>	<b>1,834,272</b>
<b>Liabilities</b>				
Inter-bank deposits	135,601	179,425	142,438	153,352
Repurchase agreements and stock lending	44,142	54,677	112,212	156,685
Deposits by banks	179,743	234,102	254,650	310,037
Customer deposits	415,267	436,339	443,331	445,623
Repurchase agreements and stock lending	75,015	78,505	92,375	141,150
Customer accounts	490,282	524,844	535,706	586,773
Debt securities in issue	248,710	258,493	240,263	245,038
Settlement balances and short positions	60,282	63,281	84,073	110,690
Derivatives	534,632	836,662	407,455	451,681
Accruals, deferred income and other liabilities	21,543	28,037	25,623	26,374
Retirement benefit liabilities	1,363	1,534	375	417
Deferred taxation	3,344	3,168	1,915	3,577
Insurance liabilities	7,186	7,400	7,532	7,626
Subordinated liabilities	32,106	43,511	34,617	33,440
Liabilities of disposal groups	7,465	15	2,856	388
<b>Total liabilities</b>	<b>1,586,656</b>	<b>2,001,047</b>	<b>1,595,065</b>	<b>1,776,041</b>
<b>Equity:</b>				
Minority interests	2,123	3,428	5,808	5,083
Equity owners'	55,666	56,013	61,637	53,148
<b>Total equity</b>	<b>57,789</b>	<b>59,441</b>	<b>67,445</b>	<b>58,231</b>
<b>Total liabilities and equity</b>	<b>1,644,445</b>	<b>2,060,488</b>	<b>1,662,510</b>	<b>1,834,272</b>

## Appendix 3

# Asset Protection Scheme

## Appendix 3 Asset Protection Scheme

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## Appendix 3 Asset Protection Scheme

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### 1. Explanatory note

The terms of RBS's participation in the Asset Protection Scheme ("APS") were agreed in principle with HM Treasury in February. Issues still outstanding include the final sign off of assets to be covered, the completion of due diligence, some detailed aspects of the structure of the scheme and EU State Aid approval.

### 2. Highlights of the Scheme

#### Objectives

- Credit protection provided by the UK government, which alongside liability management and other measures, would allow RBS to pass the Financial Services Authority stress tests
- Enhance RBS's financial strength and provide stability for customers, depositors and investors as RBS's restructuring programme is executed
- Enhance the Group's capacity to extend new lending in the UK

#### Current proposed Scheme operation and terms

- Protection for £316 billion covered assets from 1 January 2009, subject to final agreement with HM Treasury on the covered asset pool
- APS assets are a static pool, with no substitution allowed for assets that mature
- Scheme expected to cover both banking assets and trading assets
- APS assets include the Group's global exposures across multiple jurisdictions and multiple legal entities HM Treasury currently proposes to extend APS protection to RBS plc; RBS plc will then enter into back-to-back arrangements with other legal entities across the Group to extend APS protection to all APS assets
- First loss of £19.5 billion in addition to impairments and write-downs on the APS pool recognised at 31 December 2008
- RBS will bear all losses (net of recoveries) up to the first loss point. Losses (net of recoveries) in excess of the first loss will be 90% borne by HM Treasury
- Management and administration of APS assets will be performed by RBS
- Scheme proposes rigorous governance and specific approval processes for APS assets
- HMT will have representation on the Group's senior oversight committee for the APS and will have wide-ranging rights to audit the management and administration of the Scheme
- Significant RWA relief is expected on the APS assets. On the basis of the proposed pool at 30 June 2009 this relief is estimated at approximately £150 billion.

#### Asset selection

- Assets were selected for both credit and capital reasons. Key criteria included:
  - Risk and degree of impairment in base case and stressed scenario
  - Liquidity of the exposure
- Both core and non-core assets analysed. Inclusion of core assets reflects their risk profile and provides capacity to meet UK lending commitments.
- Inclusion of equity type exposure and real assets (e.g. hotels, ships, aircraft) and Citizens retail assets was not permitted.

**3. Capital effect**

The Asset Protection Scheme announced in February, when concluded, is expected to further strengthen the Group’s capital ratios, as the assets covered by the Scheme will carry lower risk weightings as a result of UK Government asset insurance. This augments the impact of RBS’s own extensive restructuring measures. The Scheme is currently expected to provide approximately £150 billion of risk-weighted asset relief. In addition, HM Treasury will subscribe to a total of £19.5 billion of new B Shares qualifying as capital on implementation of the APS, with a further £6 billion as a contingent reserve. The APS should strengthen Core Tier 1 by more than 5% pro forma. This figure is RBS’s current estimate and subject to finalisation of the detailed terms and conditions, confirmation of asset eligibility and pricing (all of which require state aid approval) and without taking account of the £6 billion contingent tranche of B share issuance outlined in February.

**4. Credit impairments and write downs**

Of the Group’s credit impairments and write downs recorded in the first half of 2009, approximately 70% relates to assets proposed for APS. Set out below are the estimated proportions of each division’s credit impairments and write downs relating to these assets:

	%
UK Retail	65
UK Corporate	50
Global Banking & Markets	50
Ulster	85
Non-Core	75

## Appendix 3 Asset Protection Scheme

### 5. Balance sheet and risk weighted assets

The tables below show approximate balances relating to assets proposed for APS, by balance sheet caption and underlying product category, at 31 December 2008.

	Carrying value (1) £bn	Undrawn commitments and other aspects (2) £bn	Provisions and other related adjustments (3) £bn	Covered amount £bn
Loans and advances (4)				
Residential mortgages	15.3	-	0.1	15.4
Consumer finance	11.4	1.6	1.8	14.8
Commercial property				
lending	52.3	10.0	0.8	63.1
Leveraged finance	18.3	4.7	2.5	25.5
Project finance	1.9	1.0	-	2.9
Other structured finance	16.4	4.5	0.4	21.3
Other corporate loans	73.3	25.7	2.3	101.3
	188.9	47.5	7.9	244.3
Securities				
RMBS (5)	0.7	0.2	0.2	1.1
CMBS (6)	1.6	0.2	0.2	2.0
CDOs (7) and CLOs (8)	2.3	0.4	5.7	8.4
Other asset-backed				
securities	3.7	-	0.3	4.0
Other debt securities	2.5	0.6	0.1	3.2
	10.8	1.4	6.5	18.7
Derivatives				
Monoline insurers	5.6	10.9	6.0	22.5
CDPCs (8)	3.5	2.3	1.3	7.1
Other counterparties	16.8	5.7	0.7	23.2
	25.9	18.9	8.0	52.8
<b>Total</b>	<b>225.6</b>	<b>67.8</b>	<b>22.3</b>	<b>315.8</b>

#### Notes:

- (1) Carrying value represents the amounts recorded on the balance sheet at 31 December 2008 and includes assets classified as loans and receivables, fair valued through profit or loss and available-for-sale ('AFS')
- (2) Undrawn commitments and other aspects comprises:
  - undrawn commitments
  - add-back of AFS reserves
  - master netting arrangements relating to derivatives
  - potential future exposures on certain derivatives
- (3) Provisions and other related adjustments comprises:
  - credit impairment provisions and write downs
  - life-to-date mark-to-market changes on assets measured at fair value through profit or loss
  - credit valuation adjustment on derivative contracts
- (4) The asset categories are as defined by the HM Treasury draft terms and conditions and may vary from the Group's categorisations of such assets
- (5) Residential mortgage-backed securities
- (6) Commercial mortgage-backed securities
- (7) Collateralised debt obligations
- (8) Collateralised loan obligations
- (9) Credit derivative product companies

Risk weighted assets relating to the assets proposed for the scheme were approximately £165 billion at 31 December 2008.