RBS

The Royal Bank of Scotland Group

Important Information

This document does not constitute an offer to sell, or a solicitation of an offer to subscribe for, securities of RBS or any of its affiliates in any jurisdiction or an inducement to enter into investment activity. This document is not a prospectus but an advertisement and investors should not subscribe for any securities referred to in this document except on the basis of the information contained in the prospectus to be published in due course.

The securities mentioned herein (the “Securities”) have not been, and will not be, registered under the United States Securities Act of 1933 (the “Securities Act”) and may not be offered or sold in the United States absent registration or an exemption from the registration requirements of the Securities Act. There will be no public offer of the Securities in the United States.

Certain statements made in this document constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward looking statements can be identified by the use of words such as ‘‘may’’, ‘‘will’’, ‘‘expect’’, ‘‘intend’’, ‘‘estimate’’, ‘‘anticipate’’, ‘‘believe’’, ‘‘plan’’, ‘‘seek’’, ‘‘continue’’ or similar expressions and relate to, among other things, the performance of RBS's various business units in the near to medium term, the amount by which RBS expects to write down the value of certain of its assets, RBS's expectations in respect of the rights issue, its capital ratios and its dividend payout ratio, RBS's business strategy and its plans and objectives for future operations. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. Factors that might cause forward looking statements to differ materially from actual results, include among other things, general economic conditions in the European Union, in particular in the United Kingdom, and in other countries in which RBS has business activities or investments, including the United States; the inability of RBS to hedge certain risks economically; the adequacy of RBS’s impairment provisions and loss reserves; RBS’s ability to achieve revenue benefits and cost savings from the integration of certain of ABN AMRO’s businesses and assets; and the potential exposure of RBS to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity and equity price risk. These forward-looking statements speak only as of the date of this document. The information and opinions contained in this document are subject to change without notice and, subject to compliance with applicable law, RBS assumes no responsibility or obligation to update publicly or review any of the forward-looking statements contained herein.

Make it happen

Sir Tom McKillop

Chairman

Introductory Comments

The Royal Bank of Scotland Group

- Decisive actions to recapitalise
  - Increased capital ratios and targets
  - Rights issue to raise £12 billion
  - Estimated write-downs on credit market exposures
  - Identified possible assets for disposal
- Board has been fully engaged
- Decision reflects deteriorating market conditions and outlook
- Actions in best interests of RBS and its shareholders

Make it happen

Sir Fred Goodwin

Group Chief Executive

Background

- Previous capital plan
  - Maintain Tier 1 capital ratio in range of 7% to 8%, with 25% to 30% preference share content
  - Rebuild core Tier 1 capital ratio towards 5% by 2010
  - Within parameters of this plan at 2007 results
- Market developments
  - Further deterioration in credit markets
  - Greater likelihood that credit markets will remain difficult
  - Reduced forecasts for economic growth

Revision of Capital Plan

- Appropriate to revise capital plan
  - Operate with significantly higher capital ratios
  - Consistent with, and informed by, views of shareholders
- Revised capital plan
  - Increase target range for Tier 1 capital ratio to 7.5% to 8.5%
  - Set target for core Tier 1 capital ratio in excess of 6%
  - Target capital ratios on proportional consolidated basis
  - Accelerate rebuild of capital ratios to target levels

Accelerated Capital Rebuild

Actions	***£bn***
Proceeds of rights issue	12.0
Capital effect of estimated write-downs	(4.3)
Estimated capital generated by disposals	4.0
Net new capital	**11.7**

Forecast Capital Ratios *(Proportional consolidated basis)*	***31 Dec 2008***
Tier 1 capital ratio	>8%
Core Tier 1 capital ratio	>6%

Trading Update

The Royal Bank of Scotland Group

- Overall underlying performance has remained satisfactory
- Parts of GBM affected by credit market conditions
- Strong growth in personal and corporate deposits
- Lower Group net interest margin – increased funding costs, but higher new business asset spreads
- Overall credit metrics have remained stable
- ABN AMRO integration synergies on plan

Outlook

- Environment
  - Opportunities available at good risk-adjusted returns despite challenging period for banks
  - Less aggressive competition
- Priorities for RBS
  - Deliver ABN AMRO integration and transaction benefits
  - Disciplined management of GBM through difficult period
  - Maintain momentum in other businesses
  - Leverage established presence in high growth economies
  - Exploit enhanced global platform, customer franchises and product capabilities

Make it happen

Guy Whittaker

Group Finance Director

Capital Outlook

- Budget reforecast
- Estimated credit market write-downs
- Disposals
- 2008 dividend plan
- Rights issue
- Estimated capital ratios

Budget Reforecast

- 3 month actual performance
- 9 month outlook for income, profits and balance sheet
- Updated for prevailing economic conditions
- Known risk factors taken into consideration
- Outlook for business activity considered
- Basis for revised capital plan

Credit Market Exposures

CDOs and US Mortgages

£bn	Net Exposure 31 Dec 2007[1]	Average Price (%)	Current Estimated Net Exposure[2]	Average Price (%)	Estimated Write-downs Before Tax[3]
ABS CDOs					
High Grade	2.6	84	1.6	52	(1.0)
Mezzanine	1.3	70	0.4	20	(0.9)
US Residential Mortgages					
Subprime[4]	1.3	72	0.6	38	(0.4)
Alt-A	2.2	83	1.0	50	(0.7)
Other Non-Agency	0.8	94	0.7	82	(0.1)
US Commercial Mortgages	1.8	97	1.4	83	(0.2)
Total					**(3.3)**

(1) Net of hedges and write-downs

(2) Current exposure net of hedges and estimated write-downs

(3) Estimated write-downs before tax in 2008

(4) Includes investment grade, non-investment grade and residuals

Credit Market Exposures
Monolines

£bn	Notional	Current Estimates Fair Value of Underlying Asset	Gross Exposure	Estimated Write-downs Before Tax	Hedge	Net Exposure
AAA / AA	19.8	15.6	4.2	(1.1)	(0.4)	2.7
A / BBB	2.6	2.2	0.4	(0.3)		0.2
Non-investment grade	2.6	1.0	1.6	(1.3)		0.3
Total	**25.0**	**18.8**	**6.2**	**(2.7)**	**(0.4)**	**3.2**
Credit value adjustments taken in 2007				**0.9**		
Estimated credit value adjustments before tax in 2008				**(1.8)**		

Credit Market Exposures
Leveraged Loans

£bn	Net Exposure 31 Dec 2007(1)	Average Price (%)	Current Estimated Net Exposure(2)	Average Price (%)	Estimated Write-downs Before Tax(3)
Funded	8.7	95%	8.3	88%	
Unfunded	5.8	98%	4.8	88%	
Hedge			(0.7)		
Total	**14.5**	**96%**	**12.4**	**88%**	**(1.3)**

(1) Net of hedges and write-downs

(2) Current exposure net of hedges and estimated write-downs

(3) Estimated write-downs before tax in 2008

Credit Market Exposures

£bn	Net Exposure 31 Dec 2007[1]	Average Price (%)	Current Estimated Net Exposure[2]	Average Price (%)	Estimated Write-downs Before Tax[3]
ABS CDOs	3.8	79	2.0	40	(1.9)
US Residential Mortgages	4.3	81	2.3	52	(1.2)
US Commercial Mortgages	1.8	97	1.4	83	(0.2)
Monoline Exposures	2.5	n/a	3.2	n/a	(1.8)
Leveraged Loans	14.5	96	12.4	88	(1.3)
CLOs	1.4	93	1.2	87	(0.1)
CDS Hedging					0.5
Total (net of CDS hedging)					**(5.9)**

(1) Net of hedges and write-downs

(2) Current exposure net of hedges and estimated write-downs

(3) Estimated write-downs before tax in 2008

Disposals

- Regular programme of review and evaluation with the Board
- Existing plans incorporated a number of opportunities
- Recalibrated in context of new capital targets
- Possible whole or partial disposal of RBS Insurance included
- Determined to achieve full and fair value
- Options as to how this will be achieved
- Capital plan assumes £4 billion gains during 2008

2008 Dividend Plan

- Interim dividend intended to be paid in shares
- Target dividend payout ratio around 45%
  - Based on earnings adjusted to exclude credit market-related write-downs and non-recurring items
- Rights issue effect
- Final dividend intended to be paid in cash

Rights Issue

- £12 billion
- Fully underwritten
- 11 new shares for every 18 existing shares
- Issue price 200 pence per RBS share
- Represents a 34.9% discount to theoretical ex-rights price on 21 April 2008
- Subject to approval at EGM in mid-May

Estimated Capital Ratios

	Core Tier 1	Tier 1
Fully consolidated basis		
30 June 2008	>6.0%	>8.0%
31 December 2008	>6.0%	>8.0%
Proportional consolidated basis		
30 June 2008	>5.0%	>7.5%
31 December 2008	>6.0%	>8.0%

Make it happen

The Royal Bank of Scotland Group

Sir Tom McKillop

Chairman

RBS

The Royal Bank of Scotland Group