RBS

The Royal Bank of Scotland Group

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Sir Tom McKillop

Chairman

Introductory Comments

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- 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

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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

- 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

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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%

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