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Press Release

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For immediate release

RBoS Shareholders Action Group responds to Bank of England Admission of Secret Loans to RBS.

The RBoS Shareholders Action Group has considered recent revelations by the Bank of England that some £62 billion in "Emergency Liquidity Assistance" was lent to Royal Bank of Scotland and HBOS (now part of Lloyds Banking Group) to shore them up during the worst of the market turmoil after the collapse of Lehman Brothers in late 2008.

Presumably, RBS did not have to disclose the loan as it was the Bank of England, supported by the Treasury, that took the decision to conceal it "in the public interest". The loan had apparently been identified by the National Audit Office during its enquiry into whether or not the Treasury's rescue of the bank was justified. Knowing the report was going to be published, the Bank of England had no choice but to reveal the details of the loans. What if the National Audit Office had not uncovered them?

The Treasury had to provide about £18 billion as an indemnity to the Bank of England because the bank demanded additional security above and beyond the £100 billion of collateral provided by RBS and Lloyds.

Why?

Because it demonstrates how worried the Bank of England was about the value of the RBS pledge and therefore **how badly off the RBS finances really were.**

The Bank of England loan was made in October 2008 (the Bank said use of the emergency facilities peaked at £36.6 billion for RBS, on 17 October), a mere three months after the major rights issue. The need by RBS for this loan demonstrates the extent of the difficulty the bank was in at that time. This "Emergency Liquidity Assistance" was taken in addition to billions of pounds of other support through loans, guarantees and the £37 billion of equity investment pledged to RBS and other troubled institutions.

It is surely unlikely that these troubles only occurred and accumulated *after* RBS shareholders subscribed to the Rights Issue. Shareholders need to ask whether RBS management knew about these difficulties before the publication of the May 2008 rights issue prospectus.

For further information, please contact:

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Notes for Editors:

The RBoS Shareholders Action Group was formed in early 2009 to represent the interests of shareholders in the Royal Bank of Scotland (RBS). This group is considering legal action on behalf of shareholders in RBS, and was formed at the request of a number of RBS shareholders who have lost substantial sums of money as a result of their investment in this company. More information is present on our web site at www.rbosaction.org

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