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Update No. 4 – RBS Interim Report

Interim Management Statement

Royal Bank of Scotland issued an "Interim Management Statement" on the 8th May, covering the first quarter of the year. Total income rose by 26% to £9.7bn in the quarter but impairments of £2.8bn and other write-downs meant that there was a loss overall of £857m compared with a profit of £245m for the same period last year.

It seems that the Chief Executive, Stephen Hester, expects as much as £11bn to be written off in 2009. Credit conditions are expected to deteriorate over the next few quarters and they are planning for "very tough years" for both 2009 and 2010 in RBS.

Analysts gave the results a mixed reception, and the share price initially picked up, but it has since fallen back again. Citywire reported these comments from Alex Potter of Collins Stewart: *"we assume RBS is loss-making for at least two years and see little meaningful profit before 2012"*.

Management Changes

Two of the "old guard", executive directors Guy Whittaker and Gordon Pell are departing. These were present on the board when the acquisition of ABN-AMRO was decided upon, and it was clear at the AGM that many shareholders would like to see them go.

Stephen Hester complained that the bank had lost hundreds of people as a result of Government interference, particularly in the investment banking division where bankers are no longer paid cash bonuses. But they are also deliberately cutting back staff numbers more widely.

Registration Reminder

We are now accepting financial contributions in the form of associate membership fees to finance the first stage of a prospective legal action which is essentially the fees for expert advice from a QC on the matter. Please go to this page of our web site for details on associate membership and how to support this Group:

www.rbosaction.org/Membership.htm .

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Note that all "Update" reports will be posted on the News section of our web site (www.rbosaction.org) as soon as they are issued.