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Introduction

These newsletters are sent to everyone who has contacted us about the RBOS Shareholders Action Group. It covers news on what our Group is doing, and also tries to cover general information on the Royal Bank of Scotland that may be of interest to our supporters – most supporters will still be holding RBS shares and not everyone has access to the financial press. We hope you find the information relevant, but we try to keep the newsletters brief. All past newsletters are present in the News section of our web site (www.rbosaction.org).

Interim Results

RBS announced their half year results on the 7th August. At the same time they announced the appointment of a new Chief Financial Officer, Bruce Van Saun. Expectations for the interim results seemed to be high before they were published, leading to a rise in the share price in the days before. But the share price fell back again afterwards as the results were comparatively disappointing with downbeat comments from the new Chief Executive, Stephen Hester. Although at least one person suggested this was more to do with trying to slow down the rapid rise in the share price to the 70p level at which point he will be eligible for a large bonus. Such a quick realisation of the target might make it look as if the target was rather lax, as many people commented when it was announced.

Mr Hester also downplayed any quick recover in the economy which is important to restore health to the banking sector. Bad debts continued to rise in the second quarter and he said *"...when the economy technically turns up is not when the misery ends"* – at least not as far as banks are concerned as there tends to be a time lag in them seeing defaults in their loan book after a severe recession.

The interim results report and an associated presentation and video give details of how the new management plan to restructure the company – see the RBS web site at www.rbs.com/media/media-information.ashx . Risk is being reduced and a non-core division has been formed (which showed an operating loss of £9.6 billion) – these business may be subject to disposal as the company downsizes somewhat and shrinks its balance sheet. The Asset Protection Scheme (APS) is still not finalised apparently and EU *"approval for the state aid given to RBS is uncertain as to both timing and outcome"* as the report states. It suggests it may require them to weaken their "core UK banking franchise". These kind of comments are not ones to raise investors spirits.

FSA Inquiry

The interim report is so long (at over 200 pages excluding appendices), that it was some time before anyone noticed that tucked away in there was a note that the Financial Services Authority (FSA) had notified the company in April that it was undertaking an inquiry into the acquisition of ABN-AMRO and the subsequent fund raising by the company.

It has subsequently become apparent that this acquisition was a big mistake and one of the prime reasons why RBS got into financial difficulties. Whether this FSA inquiry will assist us remains to be seen. Often such inquiries take inordinately long and rarely tend to result in specific action. By the time they report, the events have become history and most people have lost interest.

Campaign Status

Over 5000 people have now responded to our campaign but with 100,000 people on the share register alone who subscribed for the May 2008 rights issue, we still need to get in touch with more shareholders. So we are still actively trying to recruit more supporters.

As mentioned in our last newsletter, there is another group also pursuing a claim on RBS and this continues to cause confusion. Please note that the other group is run by solicitors Leon Kaye and they are not our solicitors. We have no connection with them at this time although we have had discussions with Mr Kaye regarding possible co-operation on the legal action. If you have registered with us, then there is not much point in doing so with the other group in addition. If you have not yet made up your mind as to which group to support, all we can suggest is that you look at the structure and control of these groups, the level of costs that they may be incurring and who are most likely to represent your interests as RBS shareholders. If you have subscribed to Mr Kaye's group you may care to notify us so that we know that is the case by sending an email to info@rbosaction.org.

New Director

We are pleased to announce the appointment of Brian Stokes A.C.I.B., M.C.M.I. as an additional director of the RBOS Shareholders Action Group Ltd. Brian was a National Westminster manager and he was formerly active in the NatWest Staff Association, where he served for almost a decade as an Executive Councillor representing some 40,000 members. Following retirement he is a member of the RBS Pensioners Association. Many shareholders in RBS are current and/or former employees of the Bank and we hope his appointment will assure them that we will pay full attention to both the interests of shareholding staff and pensioners, as well as those of the Bank.

Existing Directors

Mr Stokes joins the board of directors alongside the existing three directors who have been listed on our web site and in information issued to shareholders. However, some people have asked for a bit more background on the directors so here it is. The other directors are:

Roger W. Lawson, M.B.A, M.B.C.S. Originally a production engineer but later acquired a Masters Degree in Business Administration and had long career as a director of IT companies. Is an active stock market investor and has written widely on that subject. Has also done investment in early stage companies (is still a non-executive director of one of these), but has more recently spent most of his time as a director of the UK Shareholders Association.

He has run many company campaigns (including involvement in legal actions) for them and looked after their marketing operations so is very experienced with the logistics of "shareholder action groups".

Michael Fox, F.C.A. A Chartered Accountant with extensive experience of legal "class actions" for groups of claimants.

Rachel Walsh, M.A. A financial journalist and editor with a Masters degree in International Journalism, who also represents one of the largest private holders of RBS shares.

Note that we have provisionally scheduled a meeting for the 10th October in London when you will have the opportunity to meet the directors. You may care to note that date in your diary – the date and meeting details will be confirmed later.

Registration Reminder

If you have not registered your interest in the proposed legal action you are reminded that you need to do so as soon as possible. Please use the form you can obtain from this page of our web site: www.rbosaction.org/Membership.htm .

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